



CORN PRODUCTS INTERNATIONAL, INC.
2002 ANNUAL REPORT

1
C O M P A N Y

60
I N D U S T R I E S

70
C O U N T R I E S

IN
T H O U S A N D S O F P R O D U C T S





Dextrose
Glucose } Corn Syrups
Maltose }
High Fructose Corn Syrup
Fermentation Feedstocks

Sweeteners

Starches

By-products

Industrial Starch
Food Starch
Fermentation Feedstocks

Corn Oil
Gluten Meal
Gluten Feed

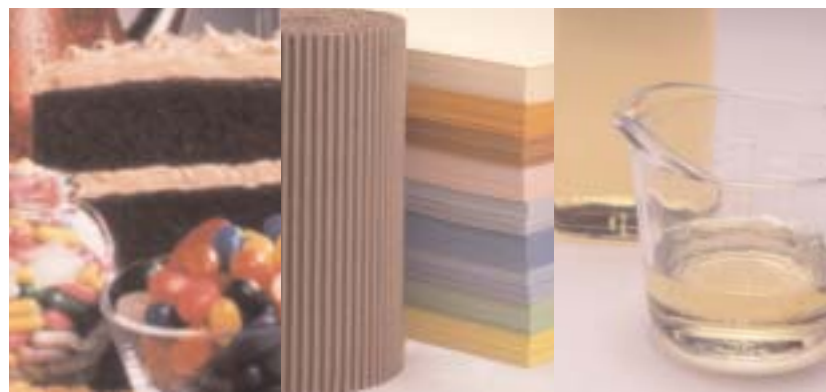
PROFILE

Corn Products International, Inc. is a global and regional leader of corn-refined and starch-based products and ingredients. We are the number-one worldwide producer of dextrose and a leading regional producer of starch, high fructose corn syrup and glucose. Our starches, sweeteners and by-products are key ingredients in thousands of consumer goods and industrial applications around much of the globe.

We manufacture products and ingredients used by companies in more than 60 diverse industries including food, beverage, pharmaceutical, paper products, corrugated and laminated paper, textile, brewing, animal nutrition and others. Our Company is committed to helping ensure our customers succeed by offering solutions to their needs from around the world.

Corn Products International's rich history spans almost 100 years. Our Company's success depends on our talented people who work seamlessly across borders. A keen understanding of local culture and business has always been a guiding principle internationally and has generated good returns over time—even in challenging environments. We are the only corn refiner with full-scale sweetener and starch facilities in all three North American Free Trade Agreement countries. Our plants, located in North America, South America, Asia and Africa, are among the most modern in the industry.

Throughout the world, Corn Products International conducts business ethically and responsibly with all our stakeholders—shareholders, employees, customers, suppliers and local communities.



FINANCIAL PERFORMANCE

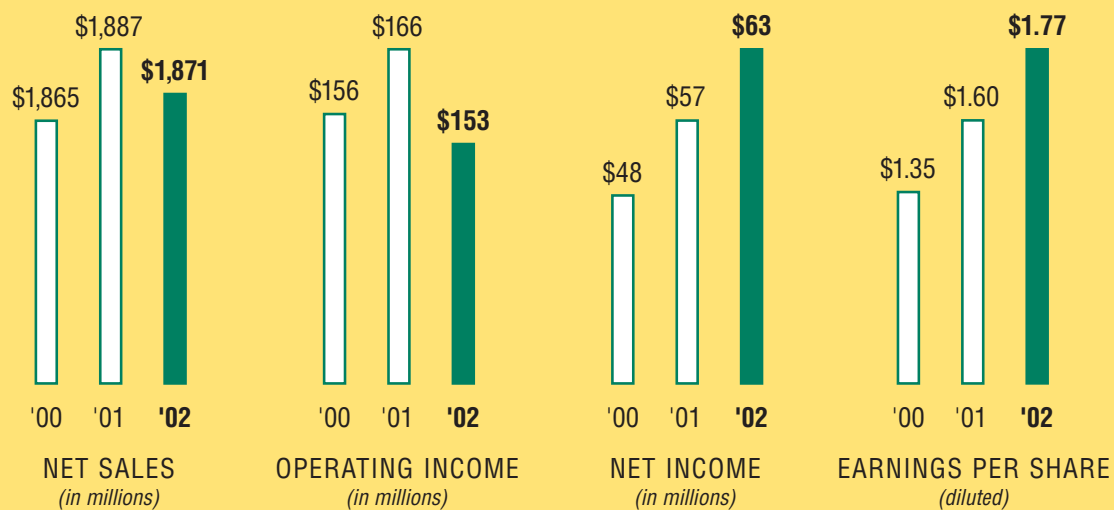
(in millions, except per share amounts)

| | 2002 ^a | 2001 ^b | 2000 ^c |
|---|-------------------|-------------------|-------------------|
| Operating Results | | | |
| Net sales | \$ 1,871 | \$ 1,887 | \$ 1,865 |
| Operating income | 153 | 166 | 156 |
| Net income | 63 | 57 | 48 |
| Net income before special items | 58 | 53 | 61 |
| Diluted Earnings per Share | | | |
| Earnings per share | 1.77 | 1.60 | 1.35 |
| Earnings per share before special items | 1.63 | 1.50 | 1.72 |
| Balance Sheet and Other Data | | | |
| Cash flow from operations | 206 | 171 | 188 |
| Capital expenditures | 78 | 94 | 143 |
| Total assets | 2,015 | 2,227 | 2,339 |
| Total debt | 600 | 756 | 720 |
| Stockholders' equity | 828 | 857 | 960 |

^a2002 includes a gain from the sale of Enzyme-Bio Systems Ltd., a gain from the dissolution of CornProductsMCP Sweeteners LLC and non-recurring charges that net to income of \$0.14 per diluted share.

^b2001 includes a one-time, value-added tax refund and non-recurring charges that net to income of \$0.10 per diluted share.

^c2000 includes charges of \$0.37 per diluted share for a workforce reduction program.



DEAR SHAREHOLDERS, CUSTOMERS AND EMPLOYEES:

2002 was a challenging year for Corn Products International, Inc., with a number of external factors affecting our business. However, we faced these challenges with renewed efforts in the areas that we can control. We continued our focus on reducing costs, expanded our business in key markets and products, and significantly improved our financial structure. These actions resulted in a business performance that exceeded our 2001 performance as our earnings per diluted share reached \$1.77.

In the United States, we continued our cost-reduction efforts and restructured our management team. This, combined with some needed pricing improvements, helped our US operations significantly surpass the prior year's results. These changes for the better are expected to continue into 2003 as US contracting was successfully completed, and we expect continued progress toward returning the cost of capital. At year-end 2002, our joint marketing venture with Minnesota Corn Processors, LLC was dissolved when a competitor purchased that company. Our sales force and its key leadership team are, once again, providing a high level of service for our customers.

In Mexico, the year began with the Mexican government placing a discriminatory tax on soft drinks sweetened with high fructose corn syrup (HFCS). This eliminated a significant market for our HFCS. We responded with lobbying efforts in both Mexico and the United States to resolve the long-standing, sugar-versus-fructose issue between the two countries. However, despite many governmental assurances that the tax would be lifted, we ended the year with it still in place. In January 2003, we notified the Mexican government of our intent to submit a claim for approximately \$250 million in damages under the North American Free Trade Agreement. We believe the tax will be lifted in the near future. Meantime, we have concentrated our efforts on finding new markets and applications for our product. We have also launched a restructuring effort to reduce costs in that country.

With significant improvement in the United States, and better results in Canada, the North American region was able to minimize the reduction in operating earnings from the prior year, and, by the fourth quarter, was operating above 2001 levels even though the HFCS tax in Mexico remained. We expect that the region should be able to exceed its 2001 operating income levels by the end of 2003.

In South America, we experienced difficult economic conditions as this region faced currency devaluation, increased inflation and reduced economic activity. Our local management team reacted quickly by minimizing costs and adjusting prices where possible. Through these efforts, we were able to achieve earnings equal to 2001 in our Southern Cone operations of Argentina, Chile and Uruguay, make significant headway

in closing the earnings gap in Brazil, and continue ongoing improvement in Colombia.

Our Asia/Africa region continued as our engine for growth. We completed the construction of our new tapioca processing plant in Thailand and began commercial production. We anticipate that this unit will contribute to our operating income for 2003. In the other major countries of the region, we saw continued volume and profit growth with overall volume for the region up 4 percent over 2001.

We also set corporate targets to improve our financial structure by improving cash flow through a working capital project designed to shorten our conversion cycle. These targets were met, and we were able to reduce our debt by \$156 million while investing \$120 million in growing the business through capital expenditures and the purchase of minority interest in Mexico. We also sold off non-core assets and, coupled with funds from the dissolution of our US joint marketing venture, produced an additional \$46 million of cash flow. By the end of the year, we were able to reduce our debt to capitalization ratio from 39 percent in 2001 to less than 36 percent in 2002. Our debt reduction, combined with lower interest rates, contributed significantly to our performance in 2002.

As we enter 2003, we are confident in our growth and earnings prospects: better pricing in North America, expected margin improvements in South America and continued growth opportunities in Asia/Africa. We will continue to focus on the basics in our business, but, most important, we will meet our customers' needs. We will strive to grow our business consistent with our strategy that calls for expanding our product portfolio through multi-regional alliances and joint ventures, and the strengthening of our already strong regional positions. We expect our capital expenditures to remain near 2002 levels, creating growth within the framework of a solid financial position in the future.

This past year, I met with many stakeholders in our business—employees, customers, investors and government representatives—in many of the countries in which we operate. It is the dedication and talent of our people, led by our board of directors, and the confidence of you, our shareholders, that create a bright future for our Company. On behalf of our employees, thank you for your investment in our success.



Samuel C. Scott III
Chairman, President and Chief Executive Officer

The premiere regional provider of refined, agriculturally based products and ingredients worldwide.

Vision Values Strategy

Integrity • Excellence • Respect • Financial Success

Restore North American performance.
Expand product portfolio through multi-regional alliances and ventures.
Grow strong geographic positions.
Selectively grow base business.

C O R P O R A T E I N F O R M A T I O N

BOARD OF DIRECTORS

Richard J. Almeida^{2,4}

Former Chairman and Chief Executive Officer
Heller Financial, Inc.

Ignacio Aranguren-Castiello⁴

Chairman
Arancia Corn Products, S.A. de C.V.

Alfred C. DeCrane, Jr.^{1,3}

Former Chairman and Chief Executive Officer
Texaco Inc.

Guenther E. Greiner^{1,3}

President
International Corporate Consultancy LLC

Ronald M. Gross²

Chairman Emeritus, Former Chairman and
Chief Executive Officer
Rayonier, Inc.

Karen L. Hendricks^{2,4}

Former Chairman, President and
Chief Executive Officer
Baldwin Piano & Organ Company

Bernard H. Kastory^{3,4}

Professor, Department of Management & Business
Skidmore College

William S. Norman^{2,3}

President and Chief Executive Officer
Travel Industry Association of America

James M. Ringler¹

Vice Chairman
Illinois Tool Works Inc.

Samuel C. Scott III

Chairman, President and Chief Executive Officer
Corn Products International, Inc.

Clifford B. Storms¹

Private Attorney

CORPORATE OFFICERS

Samuel C. Scott III

Chairman, President and Chief Executive Officer

VICE PRESIDENTS

Cheryl K. Beebe

Finance and Treasurer

Marcia E. Doane

General Counsel and Corporate Secretary

Jorge L. Fiamenghi

President South America Division

Jack C. Fortnum

President US Business

Jeffrey B. Hebble

President Asia/Africa Division

James J. Hirschak

Human Resources

Robin A. Kornmeyer

Controller

Eugene J. Northacker

President North America Division

James W. Ripley

Chief Financial Officer

Richard M. Vandervoort

Strategic Business Development,
Investor Relations, and Government
and Regulatory Affairs

CORPORATE HEADQUARTERS

Corn Products International, Inc.
5 Westbrook Corporate Center
Westchester, Illinois 60154
(708) 551-2600

INTERNET ADDRESS

<http://www.cornproducts.com>

¹ Audit Committee ² Compensation and Nominating Committee ³ Corporate Responsibility Committee ⁴ Finance Committee



Corn Products International, Inc.

Financial Report for Fiscal Year Ended December 31, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2002
Commission file number 1-13397

CORN PRODUCTS INTERNATIONAL, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

22-3514823

(I.R.S. Employer
Identification No.)

5 Westbrook Corporate Center, Westchester, Illinois

(Address of Principal Executive Offices)

60154

(Zip Code)

Registrant's telephone number, including area code **(708) 551-2600**

Securities registered pursuant to Section 12(b) of the Act:

| <u>Title of Each Class</u> | <u>Name of Each Exchange on Which Registered</u> |
|---|--|
| Common Stock, \$.01 par value per share | New York Stock Exchange |
| Preferred Stock Purchase Rights (currently traded with Common Stock) | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act:

NONE

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes No

The aggregate market value of the Registrant's voting stock held by non-affiliates of the Registrant (based upon the per share closing price of \$31.12 on June 28, 2002, and, for the purpose of this calculation only, the assumption that all Registrant's directors and executive officers are affiliates) was approximately \$1,043,000,000.

The number of shares outstanding of the Registrant's Common Stock, par value \$.01 per share, as of March 3, 2003, was 35,726,408.

Documents Incorporated by Reference:

Information required by Part II (Items 5, 6, 7 and 8) and Part IV (Item 15(a)(1)) of this document is incorporated by reference to certain portions of Exhibit 13.1 included as part of this 2002 Annual Report on Form 10-K.

Information required by Part III (Items 10, 11, 12 and 13) of this document is incorporated by reference to certain portions of the Registrant's definitive Proxy Statement distributed in connection with its 2003 Annual Meeting of Stockholders.

PART I.

Item 1. *Business*

The Company

Corn Products International, Inc. (the “Company”) is incorporated as a Delaware corporation and its common stock is traded on the New York Stock Exchange. Corn Products International, Inc., together with its subsidiaries, produces a large variety of food ingredients and industrial products derived from the wet milling of corn and other starch-based materials (such as tapioca). The Company is one of the largest corn refiners in the world and the leading corn refiner in Latin America. In addition, it is the world’s leading producer of dextrose and has strong regional leadership in cornstarch and liquid sweeteners. The Company had consolidated net sales of \$1.87 billion in 2002. Approximately 65 percent of the Company’s 2002 revenues were provided from its North America operations with the remainder coming from its South America and Asia/Africa operations.

Corn refining is a capital-intensive two-step process that involves the wet milling and processing of corn. During the front-end process, corn is steeped in a water-based solution and separated into starch and by-products such as animal feed and germ. The starch is then either dried for sale or further modified or refined through various processes to make sweeteners and other starch-based products designed to serve the particular needs of various industries. The Company’s sweetener products include high fructose corn syrups (“HFCS”), glucose corn syrups, high maltose corn syrups, dextrose, maltodextrins and glucose and corn syrup solids. The Company’s starch-based products include both industrial and food grade starches.

The Company supplies a broad range of customers in many industries. Most of the Company’s customers are in the food and beverage, pharmaceutical, paper products, corrugated and laminated paper, textile and brewing industries and in the animal feed markets worldwide. The Company believes its local approach to production and service is of high value to its customers.

Products

The Company’s sweetener products have grown to account for more than one half of net sales while starch products and co-products each account for one quarter or less of net sales.

Sweetener Products. The Company’s sweetener products represented approximately 55 percent, 57 percent and 55 percent of the Company’s net sales for 2002, 2001 and 2000, respectively.

High Fructose Corn Syrup: The Company primarily produces two types of high fructose corn syrup: (i) HFCS-55, which is mainly used as a sweetener in soft drinks; and (ii) HFCS-42, which is used as a sweetener in various consumer products such as fruit-flavored beverages, yeast-raised breads, rolls, dough, ready-to-eat cakes, yogurt and ice cream.

Glucose Corn Syrups: Corn syrups are fundamental ingredients in many industrial products and are widely used in food products such as baked goods, snack foods, beverages, canned fruits, condiments, candy and other sweets, dairy products, ice cream, jams and jellies, prepared mixes and table syrups. The Company offers corn syrups that are manufactured through an ion exchange process, a method that creates the highest quality, purest corn syrups.

High Maltose Corn Syrup: This special type of glucose syrup has a unique carbohydrate profile, making it ideal for use as a source of fermentable sugars in brewing beers. High maltose corn syrups are also used in the production of confections, canning and some other food processing applications.

Dextrose: The Company was granted the first U.S. patent for dextrose in 1923. The Company currently produces dextrose products that are grouped in three different categories — monohydrate, anhydrous and specialty. Monohydrate dextrose is used across the food industry in many of the same products as glucose corn syrups, especially in confectionery applications. Anhydrous dextrose is used to make solutions for intravenous injection and other pharmaceutical applications, as well as some specialty food applications. Specialty dextrose products are used in a wide range of applications, from confectionery

tableting to dry mixes to carriers for high intensity sweeteners. Dextrose also has a wide range of industrial applications, including use in wall board and production of biodegradable surfactants (surface agents), humectants (moisture agents), and as the base for fermentation products including vitamins, organic acids, amino acids and alcohol.

Maltodextrins and Glucose and Corn Syrup Solids: These products have a multitude of food applications, including formulations where liquid corn syrups cannot be used. Maltodextrins are resistant to browning, provide excellent solubility, have a low hygroscopicity (do not retain moisture), and are ideal for their carrier/bulking properties. Corn syrup solids have a bland flavor, remain clear in solution, and are easy to handle and also provide bluing properties.

Starch Products. Starch products represented approximately 20 percent, 20 percent and 21 percent of the Company's net sales for 2002, 2001 and 2000, respectively. Starches are an important component in a wide range of processed foods, where they are used particularly as a thickener and binder. Cornstarch is also sold to cornstarch packers for sale to consumers. Starches are also used in paper production to produce a smooth surface for printed communications and to improve strength in today's recycled papers. In the corrugating industry, starches are used to produce high quality adhesives for the production of shipping containers, display board and other corrugated applications. The textile industry has successfully used starches for over a century to provide size and finishes for manufactured products. Industrial starches are used in the production of construction materials, adhesives, pharmaceuticals and cosmetics, as well as in mining, water filtration and oil and gas drilling.

Co-Products and others. Co-products and others accounted for 25 percent, 23 percent and 24 percent of the Company's net sales for 2002, 2001 and 2000, respectively. Refined corn oil is sold to packers of cooking oil and to producers of margarine, salad dressings, shortening, mayonnaise and other foods. Corn gluten feed is sold as animal feed. Corn gluten meal and steepwater are sold as additives for animal feed. Until the Company's sale of its wholly-owned subsidiary, Enzyme Bio-Systems Ltd., in early February 2002, enzymes were produced and marketed for a variety of food and industrial applications.

Geographic Scope and Operations

The Company operates in one business segment, corn refining, and is managed on a geographic regional basis. The business includes regional operations in North America, South America and Asia/Africa. In 2002, approximately 65 percent of the Company's net sales were derived from operations in North America, while South America and Asia/Africa represented approximately 22 percent and 13 percent, respectively. See Note 14 to the Consolidated Financial Statements entitled "Segment Information," included herewith as part of Exhibit 13.1, for certain financial information with respect to geographic areas.

The Company's North America region consists of operations in the U.S., Canada and Mexico, and, prior to the December 2002 dissolution of CornProductsMCP Sweeteners LLC ("CPMCP"), included its then non-consolidated equity interest in that entity. For a further discussion of CPMCP and the dissolution, see Note 5 to the Consolidated Financial Statements entitled "Joint Marketing Company" included herewith as part of Exhibit 13.1. The region's facilities include 10 plants producing regular and modified starches, dextrose, high fructose and high maltose corn syrups and corn syrup solids, dextrans and maltodextrins, caramel color and sorbitol. The Company's plant in Bedford Park, Illinois is a major supplier of starch and dextrose products for the Company's U.S. and export customers. The Company's other U.S. plants in Winston-Salem, North Carolina and Stockton, California enjoy strong market shares in their local areas, as do the Company's Canadian plants in Cardinal, London and Port Colborne, Ontario. The Company is the largest corn refiner in Mexico with plants in Guadalajara (2 plants), Mexico City and San Juan del Rio.

The Company is the largest corn refiner in South America, with leading market shares in Argentina, Brazil, Chile and Colombia. The Company's South America region includes 12 plants that produce regular, modified, waxy and tapioca starches, high fructose and high maltose corn syrups and corn syrup solids, dextrans and maltodextrins, dextrose, caramel color, sorbitol and vegetable adhesives.

The Company's Asia/Africa region consists of corn and tapioca refining operations in Kenya, Malaysia, Pakistan, South Korea and Thailand. The region's facilities include 6 plants that produce modified, regular, waxy and tapioca starches, dextrins, glucose, dextrose, high fructose corn syrups and caramel color.

In addition to the operations in which it engages directly, the Company has strategic alliances through technical license agreements with companies in South Africa, Zimbabwe and Venezuela. As a group, the Company's strategic alliance partners produce high fructose, glucose and high maltose syrups (both corn and tapioca), regular, modified, waxy and tapioca starches, dextrose and dextrins, maltodextrins and caramel color. These products have leading positions in many of their target markets.

Competition

The corn refining industry is highly competitive. Many of the Company's products are viewed as commodities that compete with virtually identical products and derivatives manufactured by other companies in the industry. The U.S. is a highly competitive market. Competitors include ADM Corn Processing Division ("ADM") (a division of Archer-Daniels-Midland Company), Cargill, A.E. Staley Manufacturing Co. ("Staley") (a subsidiary of Tate & Lyle, PLC), National Starch and Chemical Company ("National Starch") (a subsidiary of Imperial Chemicals Industries plc) and several others. Mexico and Canada face competition from U.S. imports and local producers including ALMEX, a Mexican joint venture between ADM and Staley. In South America, Cargill and National Starch have corn-refining operations in Brazil. Other local corn refiners also operate in many of our markets. Competition within markets is largely based on price, quality and product availability.

Several of the Company's products also compete with products made from raw materials other than corn. High fructose corn syrup and monohydrate dextrose compete principally with cane and beet sugar products. Co-products such as corn oil and gluten meal compete with products of the corn dry milling industry and with soybean oil, soybean meal and others. Fluctuations in prices of these competing products may affect prices of, and profits derived from, the Company's products.

Customers

The Company supplies a broad range of customers in over 60 industries. Approximately 21 percent of the Company's 2002 net sales were to companies engaged in the processed foods industry and approximately 17 percent of the Company's 2002 net sales were to companies engaged in the soft drink industry. Additionally, approximately 16 percent of the Company's 2002 net sales were to feed users.

Raw Materials

The basic raw material of the corn refining industry is yellow dent corn. The supply of corn in the United States has been, and is anticipated to continue to be, adequate for the Company's domestic needs. The price of corn, which is determined by reference to prices on the Chicago Board of Trade, fluctuates as a result of three primary supply factors — farmer planting decisions, climate and government policies — and three major market demand factors — livestock feeding, shortages or surpluses of world grain supplies and domestic and foreign government policies and trade agreements.

Corn is also grown in other areas of the world, including Canada, South Africa, Argentina, Brazil, China and Australia. The Company's affiliates outside the United States utilize both local supplies of corn and corn imported from other geographic areas, including the United States. The supply of corn for these affiliates is also generally expected to be adequate for the Company's needs. Corn prices for the Company's non-U.S. affiliates generally fluctuate as a result of the same factors that affect U.S. corn prices.

Due to the competitive nature of the corn refining industry and the availability of substitute products not produced from corn, such as sugar from cane or beet, end product prices may not necessarily fluctuate in relation to raw material costs of corn.

The Company follows a policy of hedging its exposure to commodity fluctuations with commodities futures contracts for certain of its North American corn purchases. All firm-priced business is hedged. Other

business may or may not be hedged at any given time based on management's judgment as to the need to fix the costs of its raw materials to protect the Company's profitability. See Registrant's Management's Discussion and Analysis of Financial Condition and Results of Operations, section entitled "Risk and Uncertainties — Commodity costs," included herewith as part of Exhibit 13.1.

Product Development

The Company's product development activity is focused on developing product applications for identified customer and market needs. Through this approach, the Company has developed value-added products for use in the corrugated paper, food, textile, baking and confectionery industries. The Company usually collaborates with customers to develop the desired product application either in the customers' facilities, the Company's technical service laboratories or on a contract basis. These efforts are supported by the Company's marketing, product technology and technology support staff.

Sales and Distribution

Salaried sales personnel, who are generally dedicated to customers in a geographic region, sell the Company's products directly to manufacturers and distributors. In addition, the Company has a staff that provides technical support to the sales personnel on an industry basis. In 2001 and 2002, the Company sold and distributed certain designated sweetener production destined for sale in the U.S. through CPMCP. See also Note 5 to the Consolidated Financial Statements included herewith as part of Exhibit 13.1. Following the December 2002 dissolution of CPMCP, the Company reverted to selling sweeteners in the U.S. directly to manufacturers and distributors (as was the case prior to 2001). The Company generally contracts with trucking companies to deliver bulk products to customer destinations but also has some of its own trucks for product delivery. In North America, the trucks generally ship to nearby customers. For those customers located considerable distances from Company plants, a combination of railcars and trucks is used to deliver product. Railcars are generally leased for terms of five to fifteen years.

Patents, Trademarks and Technical License Agreements

The Company owns a number of patents, which relate to a variety of products and processes, and a number of established trademarks under which the Company markets such products. The Company also has the right to use certain other patents and trademarks pursuant to patent and trademark licenses. The Company does not believe that any individual patent or trademark is material. There is not currently any pending challenge to the use or registration of any of the Company's significant patents or trademarks that would have a material adverse impact on the Company or its results of operations.

The Company is a party to several technical license agreements with third parties in other countries whereby the Company provides technical, management and business advice on the operations of corn refining businesses and receives royalties in return. These arrangements provide the Company with product penetration in the various countries in which they exist, as well as experience and relationships that could facilitate future expansion. The duration of the agreements range from one to ten years or longer, and most of these relationships have been in place for many years. These agreements in the aggregate provide approximately \$1 million of annual revenue to the Company.

Employees

As of December 31, 2002, the Company had approximately 6,500 employees, of which approximately 800 were located in the U.S. Approximately 37 percent of U.S. and 53 percent of non-U.S. employees are unionized. The Company believes its union and non-union employee relations are good.

Government Regulation and Environmental Matters

As a manufacturer and maker of food items and items for use in the pharmaceutical industry, the Company's operations and the use of many Company products are subject to various U.S., state, foreign and local statutes and regulations, including the Federal Food, Drug and Cosmetic Act and the Occupational

Safety and Health Act, and to regulation by various government agencies, including the United States Food and Drug Administration, which prescribe requirements and establish standards for product quality, purity and labeling. The finding of a failure to comply with one or more regulatory requirements can result in a variety of sanctions, including monetary fines. The Company may also be required to comply with U.S., state, foreign and local laws regulating food handling and storage. The Company believes these laws and regulations have not negatively affected its competitive position.

The operations of the Company are also subject to various U.S., state, foreign and local laws and regulations with respect to environmental matters, including air and water quality and underground fuel storage tanks, and other regulations intended to protect public health and the environment. Based upon current laws and regulations and the enforcement and interpretations thereof, the Company does not expect that the costs of future environmental compliance will be a material expense, although there can be no assurance that the Company will remain in compliance or that the costs of remaining in compliance will not have a material adverse effect on the Company's future financial condition and results of operations.

The Company currently anticipates that it may spend an immaterial amount in fiscal 2003 for environmental control and wastewater treatment equipment to be incorporated into existing facilities and in planned construction projects. This equipment is intended to enable the Company to continue its policy of compliance with existing environmental laws and regulations. Under the U.S. Clean Air Act Amendments of 1990, air toxin regulations will be promulgated for a number of industry source categories. The U.S. Environmental Protection Agency has proposed standards for industrial boilers. Once these standards are finalized, the Company's U.S. facilities may require additional pollution control devices to meet these standards. Currently, the Company cannot accurately estimate the ultimate financial impact of the industrial boiler standards.

The Company's Internet address is www.cornproducts.com. The Company makes available, free of charge through its Internet website, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended. These reports are made available as soon as reasonably practicable after the respective reports are electronically filed with or furnished to the Securities and Exchange Commission.

Executive Officers of the Registrant

Set forth below are the names and ages of all executive officers of the Company, indicating their positions and offices with the Company.

| <u>Name</u> | <u>Age</u> | <u>All positions and offices with the Company</u> |
|-------------------------------|------------|--|
| Samuel C. Scott III | 58 | Chairman and Chief Executive Officer of Corn Products since February 2001 and President of Corn Products since 1997. Mr. Scott also served as Chief Operating Officer of Corn Products from 1997 through January 2001. Prior thereto, he served as President of Bestfoods' worldwide Corn Refining Business from 1995 to 1997 and was President of Bestfoods' North American Corn Refining Business from 1989 to 1997. He was elected a Vice President of Bestfoods in 1991. Mr. Scott is a director of Motorola, Inc. |
| Cheryl K. Beebe | 47 | Vice President, Finance since July 2002 and Treasurer of Corn Products since 1997. Ms. Beebe served as Vice President from 1999 to 2002 and as Director of Finance and Planning for the Bestfoods Corn Refining Business worldwide from 1995 to 1997 and as Director of Financial Analysis and Planning for Corn Products North America from 1993. Ms. Beebe joined Bestfoods in 1980 and served in various financial positions in Bestfoods. |

| <u>Name</u> | <u>Age</u> | <u>All positions and offices with the Company</u> |
|------------------------------|------------|--|
| Marcia E. Doane | 61 | Vice President, General Counsel and Corporate Secretary of Corn Products since 1997. Ms. Doane served as Vice President, Legal and Regulatory Affairs of the Corn Products Division of Bestfoods from 1996 to 1997. Prior thereto, she served as Counsel to the Corn Products Division from 1994 to 1996. Ms. Doane joined Bestfoods' legal department in 1989 as Operations Attorney for the Corn Products Division. |
| Jorge L. Fiamenghi | 47 | Vice President and President of the South America Division of Corn Products since 1999. Mr. Fiamenghi served as Acting President, US-Canadian region from August 2001 to February 2002. Mr. Fiamenghi served as President and General Manager Corn Products Brazil from 1996 to 1999. Mr. Fiamenghi was General Manager for the Bestfoods Corn Refining affiliate in Argentina beginning in 1991. Prior thereto, he was Financial and Planning Director for the Bestfoods South American Corn Refining division from 1989 to 1991 and served as Financial and Administrative Manager for the Bestfoods Corn Refining division in Mexico beginning in 1987. Mr. Fiamenghi joined Bestfoods in 1971 and served in various financial and planning positions in Bestfoods. |
| Jack C. Fortnum | 46 | Vice President since 1999 and President US business since February 2002. Mr. Fortnum served as Executive Vice President, US-Canadian Region from August 2001 until February 2002. Prior to that, Mr. Fortnum served as the Controller of Corn Products since 1997, as the Vice President of Finance for Refineries de Maize, Bestfoods' Argentine subsidiary, from 1995 to 1997, as the Director of Finance and Planning for Bestfoods' Latin America Corn Refining Division from 1993 to 1995, and as the Vice President and Comptroller of Canada Starch Operating Company Inc., the Canadian subsidiary of Bestfoods, and as the Vice President of Finance of the Canadian Corn Refining Business from 1989. |
| Jeffrey B. Hebble | 47 | Vice President since 2000 and President of the Asia/Africa Division of Corn Products since February 2001. Prior thereto, Mr. Hebble served as Vice President of the Asia/Africa Division since 1998. Mr. Hebble joined Bestfoods in 1986 and served in various positions in the Corn Products Division and in Stamford Food Industries Sdn. Berhad, a Corn Products subsidiary in Malaysia. |
| James J. Hirchak | 48 | Vice President — Human Resources of Corn Products since 1997. Mr. Hirchak joined Bestfoods in 1976 and held various Human Resources positions in Bestfoods until 1984, when he joined Bestfoods' Corn Products Division. In 1987, Mr. Hirchak was appointed Director, Human Resources for Corn Products' North American operations and he served as Vice President, Human Resources for the Corn Products Division of Bestfoods from 1992 to 1997. |
| Robin A. Kornmeyer | 54 | Vice President of Corn Products since September 2002 and Controller since January 2002. Prior to that, Mr. Kornmeyer served as Corporate Controller at Foster Wheeler Ltd., a worldwide engineering and construction company, from 2000 to 2002 and as its Director of Corporate Audit Services from 1997 to 2000. |

| <u>Name</u> | <u>Age</u> | <u>All positions and offices with the Company</u> |
|----------------------------------|------------|--|
| Eugene J. Northacker | 61 | Vice President and President of the North America Division since February 2002. Mr. Northacker came out of retirement to serve as Acting President of the South America Division from August 2001 to February 2002. Prior to his retirement from the Company in January 2000, he served as Vice President and President of the South America Division since 1997. Mr. Northacker was appointed President of Bestfoods' Latin America Corn Refining Division and elected a Vice President of Bestfoods in 1992. Prior to that, he served as Business Director of Bestfoods' Latin America Corn Refining Division from 1989 to 1992, and as Corn Refining General Manager of Bestfoods' then Mexican subsidiary from 1984 to 1986. Mr. Northacker joined Bestfoods in 1968 in the financial group of Bestfoods' North American consumer foods division and has held executive assignments in several Bestfoods subsidiaries. |
| James W. Ripley | 59 | Vice President and Chief Financial Officer of Corn Products since 1997 and Vice President, Finance from 1997 to July 2002. Mr. Ripley served as Comptroller of Bestfoods from 1995 to 1997. Prior thereto, he served as Vice President of Finance for Bestfoods' North American Corn Refining Division from 1984 to 1995. Mr. Ripley joined Bestfoods in 1968 as chief international accountant and subsequently served as Bestfoods' Assistant Corporate Comptroller, Corporate General Audit Coordinator and Assistant Comptroller for Bestfoods' European Consumer Foods Division. |
| Richard M. Vandervoort | 59 | Vice President — Strategic Business Development, Investor Relations and Government and Regulatory Affairs of Corn Products since 1998. Mr. Vandervoort served as Vice President — Business Development and Procurement, Corn Products International North American Division from 1997 to 1998. Prior thereto, he served as Vice President — Business Management and Marketing for Bestfoods' Corn Products Division from 1989 to 1997. Mr. Vandervoort joined Bestfoods in 1971 and served in various executive sales positions in Bestfoods' Corn Products Division and in Peterson/Puritan Inc., a Bestfoods subsidiary. |

Item 2. *Properties*

The Company operates, directly and through its consolidated subsidiaries, 28 manufacturing facilities, 27 of which are owned and one of which is leased (Jundiai, Brazil). In addition, the Company leases its corporate headquarters in Westchester, Illinois. The following list details the locations of the Company's manufacturing facilities within each of its three geographic regions:

| <u>North America</u> | <u>South America</u> | <u>Asia/Africa</u> |
|---|------------------------|--------------------------|
| Cardinal, Ontario, Canada | Baradero, Argentina | Eldoret, Kenya |
| London, Ontario, Canada | Chacabuco, Argentina | Petaling, Jaya, Malaysia |
| Port Colborne, Ontario, Canada | Balsa Nova, Brazil | Faisalabad, Pakistan |
| San Juan del Rio, Queretaro, Mexico | Cabo, Brazil | Ichon, South Korea |
| Guadalajara, Jalisco, Mexico (2 plants) | Conchal, Brazil | Inchon, South Korea |
| Mexico City, Edo. de Mexico | Jundiai, Brazil | Sikhiu, Thailand |
| Stockton, California, U.S. | Mogi-Guacu, Brazil | |
| Bedford Park, Illinois, U.S. | Llay-Llay, Chile | |
| Winston-Salem, North Carolina, U.S. | Barranquilla, Colombia | |
| | Cali, Colombia | |
| | Medellin, Colombia | |
| | Guayaquil, Ecuador | |

While the Company has achieved high capacity utilization, the Company believes its manufacturing facilities are sufficient to meet its current production needs. The Company has preventive maintenance and de-bottlenecking programs designed to further improve grind capacity and facility reliability.

The Company has electricity co-generation facilities at all of its U.S. and Canadian plants, as well as at its plants in San Juan del Rio, Mexico; Baradero, Argentina; and Faisalabad, Pakistan, that provide electricity at a lower cost than is available from third parties. The Company generally owns and operates such co-generation facilities itself, but has two large facilities at its Stockton, California and Cardinal, Ontario locations that are owned by, and operated pursuant to, co-generation agreements with third parties.

The Company believes it has competitive, up-to-date and cost-effective facilities. In recent years, significant capital expenditures have been made to update, expand and improve the Company's facilities, averaging in excess of \$100 million per year for the last five years. The Company believes these capital expenditures will allow the Company to operate highly efficient facilities for the foreseeable future with further annual capital expenditures that are in line with historical averages.

Item 3. *Legal Proceedings*

Under the terms of the agreements relating to the spin-off of the Company from Bestfoods, the Company agreed to indemnify Bestfoods for certain liabilities relating to the operation of the Corn Refining Business prior to the spin-off, including liabilities relating to the antitrust legal proceedings described below.

In July 1995, Bestfoods received a federal grand jury subpoena in connection with an investigation by the Antitrust Division of the U.S. Department of Justice of U.S. corn refiners regarding the marketing of high fructose corn syrup and other "food additives" (the investigation of Bestfoods relates only to high fructose corn syrup). Bestfoods produced the documents sought by the Justice Department and the federal grand jury has since been disbanded. Bestfoods, as a high fructose corn syrup producer, was also named as one of the defendants in a number of private treble damage state class actions by direct and indirect customers, and in one individual action, alleging violations of federal and state antitrust laws. Following the certification of the consolidated federal class actions, Bestfoods entered into settlements of the federal claims and the one individual action. A state law action filed in Alabama was terminated on April 5, 2002 by order of the Circuit Court of Coosa County, Alabama upon defendants' motions for summary judgement and to dismiss. Bestfoods remains a party to the state law actions filed in California, the District of Columbia, Kansas and West Virginia, each of which was filed in 1995 or 1996. The amount of damages claimed in the various pending state law actions is either unspecified or stated as not exceeding \$50,000 per claimant.

On January 28, 2003, the Company filed with the United Mexican States a Notice of Intent to Submit a Claim to Arbitration under Section B of Chapter 11 of the North American Free Trade Agreement. The notice declares the Company's intention to seek compensation from the Mexican government for breaches of its obligations under NAFTA. The Company seeks compensation for past and potential damages, estimated in the notice to be approximately \$250 million, flowing from the imposition by the Mexican Congress of a highly discriminatory tax on soft drinks containing HFCS. In the months following service of the notice, and before service of the actual claim, the Company and Mexico are obliged under NAFTA to undertake efforts to resolve the dispute.

The Company is currently subject to various other claims and suits arising in the ordinary course of business, including certain environmental proceedings. The Company does not believe that the results of such legal proceedings, even if unfavorable to the Company, will be material to the Company. There can be no assurance, however, that any claims or suits arising in the future, whether taken individually or in the aggregate, will not have a material adverse effect on the Company's financial condition or results of operations.

Item 4. *Submission of Matters to a Vote of Security Holders*

There were no matters submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the quarter ended December 31, 2002.

PART II

Item 5. *Market for Registrant's Common Equity and Related Stockholder Matters*

Shares of Corn Product's Common Stock are traded on the New York Stock Exchange ("NYSE") under the ticker symbol "CPO." The range of the NYSE reported high, low and closing market prices of the Company's Common Stock, holders of record and quarterly dividends are incorporated by reference from the Registrant's Consolidated Financial Statements filed herewith as part of Exhibit 13.1, section entitled "Common Stock Market Prices and Dividends."

The Company's policy is to pay a modest dividend. The amount and timing of the dividend payment, if any, is based on a number of factors including estimated earnings, financial position and cash flow. The payment of a dividend is solely at the discretion of the Company's Board of Directors. It is subject to the Company's financial results and the availability of surplus funds to pay dividends.

Item 6. *Selected Financial Data*

Incorporated by reference from the Registrant's Consolidated Financial Statements filed herewith as part of Exhibit 13.1, section entitled "Ten-Year Financial Highlights."

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Incorporated by reference from Exhibit 13.1 filed herewith, section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

International Operations and Foreign Exchange. The Company has operated a multinational business subject to the risks inherent in operating in foreign countries and with foreign currencies for many years. The Company's U.S. dollar denominated results are subject to foreign currency exchange fluctuations and its operations are subject to political, economic and other risks.

The Company primarily sells world commodities and, therefore, believes that local prices will adjust relatively quickly to offset the effect of a local devaluation. The Company may occasionally hedge commercial transactions and certain liabilities that are denominated in a currency other than the currency of the operating unit entering into the underlying transaction.

In each country where we conduct business, the business and assets are subject to varying degrees of risks and uncertainty. The Company insures its business and assets in each country against insurable risk in a manner that it deems appropriate. Because of its geographic dispersion, the Company believes that a loss from non-insurable events in any one country would not have a material adverse effect on the Company's operations as a whole.

Uncertain Ability to Generate Adequate Financial Performance. The Company's ability to generate operating income and to increase profitability depends to a large extent upon its ability to price finished products at a level that will cover manufacturing and raw material costs and provide a profit margin. The Company's ability to maintain appropriate price levels is determined by a number of factors largely beyond the Company's control, such as aggregate industry supply and market demand, which may vary from time to time, and the economic condition of the geographic region of the Company's operations.

Uncertain Ability to Contain Costs or to Fund Capital Expenditures. The Company's future profitability and growth also depends on the Company's ability to contain operating costs and per-unit product costs, to maintain and/or implement effective cost control programs and to develop value-added products and new product applications successfully, while at the same time maintaining competitive pricing and superior quality products, customer service and support. The Company's ability to maintain a competitive cost structure depends on continued containment of manufacturing, delivery and administrative costs as well as the implementation of cost-effective purchasing programs for raw materials, energy and related manufacturing requirements. The Company plans to focus capital expenditures on implementing productivity improvements

and, if supported by profitable customer demand, expand the production capacity of its facilities. The Company may need additional funds for working capital as the Company grows and expands its operations. To the extent possible, the Company expects to fund its capital expenditures from operating cash flow. If the Company's operating cash flow is insufficient to fund such expenditures, the Company may either reduce its capital expenditures or utilize certain general credit facilities. The Company may also seek to generate additional liquidity through the sale of debt or equity securities in private or public markets or through the sale of non-productive assets. The Company cannot provide any assurance that cash flows from operations will be sufficient to fund anticipated capital expenditures or that additional funds can be obtained from financial markets or from the sale of assets at terms favorable to the Company. If the Company is unable to generate sufficient cash flows or raise sufficient additional funds to cover capital expenditures, it may not be able to achieve its desired operating efficiencies and expansion plans, which may adversely impact the Company's competitiveness and, therefore, its results of operations.

Interest Rate Exposure. Approximately 46 percent of the Company's borrowings are fixed rate bonds and loans. The remaining 54 percent of the Company's borrowings are at floating interest rates of which approximately 41 percent are long-term loans and 13 percent are short-term credit facilities. Should short-term rates change, this could affect the Company's interest cost. A hypothetical increase of 1 percentage point in the weighted average floating interest rate for 2002 would have increased interest expense and lowered pretax income for 2002 by approximately \$2 million.

At December 31, 2002 and 2001, the carrying and fair value of long-term debt, including the current portion, were as follows:

| | 2002 | | 2001 | |
|--|-------------------|--------------|-------------------|--------------|
| | Carrying value | Fair value | Carrying value | Fair value |
| | (in millions) | | | |
| U.S. revolving credit facility | \$ — | \$ — | \$277 | \$277 |
| 8.45% senior notes, due 2009 | 198 | 209 | 200 | 192 |
| 8.25% senior notes, due 2007 | 253 | 266 | — | — |
| Canadian term loans, due 2005 | 25 | 25 | 57 | 57 |
| Korean term loans, due 2003-2004 | 51 | 51 | 62 | 62 |
| Others, due in varying amounts through 2008, fixed and floating interest rates ranging from 5.9%-7.4% . . | <u>1</u> | <u>1</u> | <u>6</u> | <u>6</u> |
| Total | <u>\$528</u> | <u>\$552</u> | <u>\$602</u> | <u>\$594</u> |

Competition. The Company operates in a highly competitive environment. Almost all of the Company's products compete with virtually identical or similar products manufactured by other companies in the corn refining industry. In the United States, there are other corn refiners, several of which are divisions of larger enterprises that have greater financial resources and some of which, unlike the Company, have vertically integrated their corn refining and other operations. Many of the Company's products also compete with products made from raw materials other than corn. Fluctuation in prices of these competing products may affect prices of, and profits derived from, the Company's products. Competition within markets is largely based on price, quality and product availability.

Price Volatility and Uncertain Availability of Corn. Corn purchasing costs, which include the price of the corn plus delivery cost, account for 40 percent to 65 percent of the Company's product costs. The price and availability of corn is influenced by economic and industry conditions, including supply and demand factors such as crop disease and severe weather conditions such as drought, floods or frost, that are difficult to anticipate and cannot be controlled by the Company. In addition, government programs supporting sugar prices indirectly impact the price of corn sweeteners, especially high fructose corn syrup. The Company cannot assure that it will be able to purchase corn at prices that it can adequately pass on to customers or in quantities sufficient to sustain or increase its profitability.

Commodity Costs. The Company's finished products are made primarily from corn. In North America, the Company sells a large portion of finished product at firm prices established in supply contracts typically lasting for periods of up to one year. In order to minimize the effect of volatility in the cost of corn related to these firm-priced supply contracts, the Company enters into corn futures contracts, or takes hedging positions in the corn futures market. From time to time, the Company may also enter into anticipatory hedges. These contracts typically mature within one year. At expiration, the Company settles the derivative contracts at a net amount equal to the difference between the then-current price of corn and the fixed contract price. While these hedging instruments are subject to fluctuations in value, changes in the value of the underlying exposures the Company is hedging generally offset such fluctuations. While the corn futures contracts or hedging positions are intended to minimize the volatility of corn costs on operating profits, occasionally the hedging activity can result in losses, some of which may be material. Outside of North America, sales of finished product under long-term, firm-priced supply contracts are not material.

The Company's commodity price hedging instruments generally relate to contracted firm-priced business. Based on the Company's overall commodity hedge exposure at December 31, 2002, a hypothetical 10 percent change in market rates applied to the fair value of the instruments would have no material impact on the Company's earnings, cash flows, financial position or fair value of commodity price and risk-sensitive instruments over a one-year period.

Energy costs for the Company represent a significant portion of its operating costs. The primary use of energy is to create steam in the production process and in dryers to dry product. The Company consumes coal, natural gas, electricity, wood and fuel oil to generate energy. The market prices for these commodities vary depending on supply and demand, world economies and other factors. The Company purchases these commodities based on its anticipated usage and the future outlook for these costs. The Company cannot assure that it will be able to purchase these commodities at prices that it can adequately pass on to customers to sustain or increase profitability.

Volatility of Markets. The market price for the common stock of the Company may be significantly affected by factors such as the announcement of new products or services by the Company or its competitors; technological innovation by the Company, its competitors or other vendors; quarterly variations in the Company's operating results or the operating results of the Company's competitors; general conditions in the Company's and its customers' markets; changes in the earnings estimates by analysts or reported results that vary materially from such estimates. In addition, the stock market has experienced significant price fluctuations that have affected the market prices of equity securities of many companies that have been unrelated to the operating performance of any individual company. These broad market fluctuations may materially and adversely affect the market price of the Company's common stock.

Uncertainty of Dividends. The payment of dividends is at the discretion of the Company's Board of Directors and will be subject to the Company's financial results and the availability of surplus funds to pay dividends. No assurance can be given that the Company will continue to pay dividends.

Certain Anti-Takeover Effects. Certain provisions of the Company's Amended and Restated Certificate of Incorporation (the "Corn Products Charter") and the Company's By-laws (the "Corn Products By-Laws") and of the Delaware General Corporation Law (the "DGCL") may have the effect of delaying, deterring or preventing a change in control of the Company not approved by the Company's Board. These provisions include (i) a classified Board of Directors, (ii) a requirement of the unanimous consent of all stockholders for action to be taken without a meeting, (iii) a requirement that special meetings of stockholders be called only by the Chairman of the Board or the Board of Directors, (iv) advance notice requirements for stockholder proposals and nominations, (v) limitations on the ability of stockholders to amend, alter or repeal the Corn Products By-Laws and certain provisions of the Corn Products Charter, (vi) authorization for the Company's Board to issue without stockholder approval preferred stock with such terms as the Board of Directors may determine and (vii) authorization for the Company's Board to consider the interests of creditors, customers, employees and other constituencies of the Company and its subsidiaries and the effect upon communities in which the Company and its subsidiaries do business, in evaluating proposed corporate transactions. With certain exceptions, Section 203 of the DGCL ("Section 203") imposes certain restrictions on mergers and

other business combinations between the Company and any holder of 15 percent or more of the Company's Common Stock. In addition, the Company has adopted a stockholder rights plan (the "Rights Plan"). The Rights Plan is designed to protect stockholders in the event of an unsolicited offer and other takeover tactics, which, in the opinion of the Company's Board, could impair the Company's ability to represent stockholder interests. The provisions of the Rights Plan may render an unsolicited takeover of the Company more difficult or less likely to occur or might prevent such a takeover.

These provisions of the Corn Products Charter and Corn Products By-laws, the DGCL and the Rights Plan could discourage potential acquisition proposals and could delay or prevent a change in control of the Company, although such proposals, if made, might be considered desirable by a majority of the Company's stockholders. Such provisions could also make it more difficult for third parties to remove and replace the members of the Company's Board. Moreover, these provisions could diminish the opportunities for a stockholder to participate in certain tender offers, including tender offers at prices above the then-current market value of the Company's Common Stock, and may also inhibit increases in the market price of the Company's Common Stock that could result from takeover attempts or speculation.

Limited Relevance of Historical Financial Information. The Company's historical financial information may not necessarily reflect the results of operations, financial position and cash flows of the Company in the future.

Reliance on Major Customers. A substantial portion of the Company's 2002 worldwide sales were made to companies engaged in the processed foods industry and the soft drink industry. If the Company's processed foods customers or soft drink customers were to substantially decrease their purchases, the business of the Company might be materially adversely affected. However, the Company believes there is no concentration of risk with any single customer or supplier, or small group of customers or suppliers, whose failure or non-performance would materially affect the Company's results.

Forward Looking Statements

This Annual Report on Form 10-K contains or may contain forward-looking statements concerning the Company's financial position, business and future earnings and prospects, in addition to other statements using words such as anticipate, believe, plan, estimate, expect, intend and other similar expressions. These statements contain certain inherent risks and uncertainties. Although we believe our expectations reflected in these forward-looking statements are based on reasonable assumptions, stockholders are cautioned that no assurance can be given that our expectations will prove correct. Actual results and developments may differ materially from the expectations conveyed in these statements, based on factors such as the following: fluctuations in worldwide commodities markets and the associated risks of hedging against such fluctuations; fluctuations in aggregate industry supply and market demand; general political, economic, business, market and weather conditions in the various geographic regions and countries in which we manufacture and sell our products, including fluctuations in the value of local currencies, energy costs and availability and changes in regulatory controls regarding quotas, tariffs, taxes and biotechnology issues; increased competitive and/or customer pressure in the corn-refining industry; the outbreak or continuation of hostilities; and stock market fluctuation and volatility. Our forward-looking statements speak only as of the date on which they are made and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of the statement. If we do update or correct one or more of these statements, investors and others should not conclude that we will make additional updates or corrections. For a further description of risk factors, see the Company's most recently filed Annual Report on Form 10-K and subsequent reports on Forms 10-Q or 8-K.

Item 8. Financial Statements and Supplementary Data

Incorporated by reference from Exhibit 13.1 filed herewith, sections entitled "Report of Management," "Report of Independent Auditors," "Consolidated Financial Statements and Notes" and "Supplemental Financial Information."

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

None.

PART III

Item 10. *Directors and Executive Officers of the Registrant*

The information contained under the headings “Board of Directors,” “Matters To Be Acted Upon — Election of Directors” and “Section 16(a) Beneficial Ownership Reporting Compliance” in the Company’s definitive proxy statement for the Company’s 2003 Annual Meeting of Stockholders (the “Proxy Statement”) and the information contained under the heading “Executive Officers of the Registrant” in Item 1 hereof is incorporated herein by reference.

Item 11. *Executive Compensation*

The information contained under the heading “Executive Compensation” in the Proxy Statement is incorporated herein by reference.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The information contained under the headings “Equity Compensation Plan Information as of December 31, 2002” and “Security Ownership of Certain Beneficial Owners and Management” in the Proxy Statement is incorporated herein by reference.

Item 13. *Certain Relationships and Related Transactions*

The information contained under the heading “Certain Relationships and Related Transactions” in the Proxy Statement is incorporated herein by reference.

PART IV

Item 14. *Controls and Procedures*

The Chief Executive Officer and the Chief Financial Officer performed an evaluation of the effectiveness of the Company’s disclosure controls and procedures as of a date within 90 days prior to the filing date of this Form 10-K report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures are effective in ensuring that all material information required to be filed in this report has been made known to them in a timely fashion. There have been no significant changes in the Company’s internal controls or in other factors that could significantly affect the Company’s internal controls subsequent to the date the Chief Executive Officer and Chief Financial Officer completed their evaluation.

Item 15. *Exhibits, Financial Statement Schedules, and Reports on Form 8-K*

Item 15(a) (1) *Consolidated Financial Statements*

Incorporated by reference from Exhibit 13.1 filed herewith, sections entitled “Report of Management,” “Report of Independent Auditors,” “Consolidated Financial Statements and Notes” and “Supplemental Financial Information.”

Item 15(a) (2) *Financial Statement Schedules*

All financial statement schedules have been omitted because the information either is not required or is otherwise included in the consolidated financial statements and notes thereto.

Item 15(a) (3) Exhibits

The Exhibits set forth in the accompanying Exhibit Index are filed as a part of this report. The following is a list of each management contract or compensatory plan or arrangement required to be filed as an Exhibit to this report:

**Exhibit
Number**

10.3

10.4

10.5

10.6

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Item 15(b) Reports on Form 8-K

On November 18, 2002, the Company filed a report on Form 8-K to disclose that it entered into the Second Supplemental Indenture which supplements the Indenture dated as of August 18, 1999, as supplemented by the First Supplemental Indenture dated as of July 8, 2002, between the Company and The Bank of New York, a New York banking corporation, as trustee.

| <u>Signature</u> | <u>Title</u> |
|---|--------------|
| <u>/s/ *WILLIAM S. NORMAN</u> William S. Norman | Director |
| <u>/s/ *JAMES M. RINGLER</u> James M. Ringler | Director |
| <u>/s/ *CLIFFORD B. STORMS</u> Clifford B. Storms | Director |
| *By: <u>/s/ MARCIA E. DOANE</u> Marcia E. Doane <i>Attorney-in-fact</i> | |

(Being the principal executive officer, the principal financial officer, the controller and all of the directors of Corn Products International, Inc.)

CERTIFICATIONS

I, Samuel C. Scott III, certify that:

1. I have reviewed this annual report on Form 10-K of Corn Products International, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ SAMUEL C. SCOTT III

Samuel C. Scott III
*Chairman, President and
Chief Executive Officer*

Date: March 21, 2003

CERTIFICATIONS

I, James W. Ripley, certify that:

1. I have reviewed this annual report on Form 10-K of Corn Products International, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ JAMES W. RIPLEY

James W. Ripley
*Vice President and
Chief Financial Officer*

Date: March 21, 2003

EXHIBIT INDEX

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|---|
| 3.1* | Amended and Restated Certificate of Incorporation of the Company, filed as Exhibit 3.1 to the Company's Registration Statement on Form 10, File No. 1-13397 |
| 3.2* | Amended By-Laws of the Company, filed as Exhibit 3.ii to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2000, File No. 1-13397 |
| 4.1* | Rights Agreement dated as of November 19, 1997 (Amended and Restated as of September 9, 2002), between the Company and The Bank of New York, filed as Exhibit 4 to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2002, File No. 1-13397 |
| 4.2* | Certificate of Designation for the Company's Series A Junior Participating Preferred Stock, filed as Exhibit 1 to the Company's Registration Statement on Form 8-A12B, File No. 1-13397 |
| 4.3 | 3-Year Revolving Credit Agreement dated as of October 15, 2002 among the Company and the agent and banks named therein |
| 4.4* | Indenture Agreement dated as of August 18, 1999 between the Company and The Bank of New York, as Trustee, filed on August 27, 1999 as Exhibit 4.1 to the Company's current report on Form 8-K, File No. 1-13397, as amended by First Supplemental Indenture filed on July 8, 2002 as Exhibit 99.4 to the Company's current report on Form 8-K, File No. 1-13397, and by Second Supplemental Indenture filed on November 18, 2002 as Exhibit 4 to the Company's current report on Form 8-K, File No. 1-13397 |
| 4.5* | First Supplemental Indenture dated July 8, 2002 between the Company and The Bank of New York, as Trustee, filed on July 8, 2002 as Exhibit 99.4 to the Company's current report on Form 8-K, File No. 1-13397 |
| 4.6* | Second Supplemental Indenture dated November 18, 2002 between the Company and The Bank of New York, as Trustee, filed on November 18, 2002 as Exhibit 4 to the Company's current report on Form 8-K, File No. 1-13397 |
| 10.1* | CornProductsMCP Sweeteners LLC Limited Liability Company Agreement dated December 1, 2000 between the Company and Minnesota Corn Processors, LLC, filed as Exhibit 10.5 to the Company's annual report on Form 10-K for the year ended December 31, 2000, File No. 1-13397, as amended by Amendment dated July 1, 2002, filed as Exhibit 10 to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2002, File No. 1-13397 |
| 10.2* | Amendment to CornProductsMCP Sweeteners LLC Limited Liability Company Agreement dated July 1, 2002, filed as Exhibit 10 to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2002, File No. 1-13397 |
| 10.3* | 1998 Stock Incentive Plan of the Company, filed as Exhibit 4.D to the Company's Registration Statement on Form S-8, File No. 333-43525, as amended by Amendments Nos. 1 and 2, filed as Exhibits 10.19 and 10.20, respectively, to the Company's annual report on Form 10-K for the year ended December 31, 2000, File No. 1-13397, and Amendment No. 3 filed as Exhibit 17 to the Company's annual report on Form 10-K for the year ended December 31, 2002, File No. 1-13397 |
| 10.4** | Deferred Stock Unit Plan of the Company |
| 10.5** | Form of Severance Agreement entered into by each of S.C. Scott, E.J. Northacker, J.W. Ripley, J.L. Fiamenghi and J.C. Fortnum (the "Named Executive Officers") |
| 10.6* | Form of Amendment to Executive Severance Agreement entered into by each of the Named Executive Officers, filed as Exhibit 10.10 to the Company's annual report on Form 10-K for the year ended December 31, 2000, File No. 1-13397 |
| 10.7* | Separation Agreement dated September 20, 2001 between the Company and M.R. Pyatt, filed as Exhibit 10 to the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2001, File No. 1-13397 |
| 10.8** | Form of Indemnification Agreement entered into by each of the members of the Company's Board of Directors and the Named Executive Officers |
| 10.9* | Deferred Compensation Plan for Outside Directors of the Company (Amended and Restated as of September 19, 2001), filed as Exhibit 4(d) to the Company's Registration Statement on Form S-8, File No. 333-75844 |

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--|
| 10.10* | Supplemental Executive Retirement Plan (Amended and Restated as of January 1, 2001), filed as Exhibit 10 to the Company's quarterly report on Form 10-Q/A for the quarter ended March 31, 2002, File No. 1-13397 |
| 10.11** | Executive Life Insurance Plan |
| 10.12** | Deferred Compensation Plan, as amended by Amendment No. 1 filed as Exhibit 10.21 to the Company's annual report on Form 10-K/A for the year ended December 31, 2001, File No. 1-13397 |
| 10.13* | Annual Incentive Plan, filed as Exhibit 10.18 to the Company's annual report on Form 10-K for the year ended December 31, 1999, File No. 1-13397 |
| 10.14* | Performance Plan, filed as Exhibit 10.19 to the Company's annual report on Form 10-K for the year ended December 31, 1999, File No. 1-13397 |
| 10.15* | Amendment No. 1 to 1998 Stock Incentive Plan dated January 20, 1999, filed as Exhibit 10.19 to the Company's annual report on Form 10-K for the year ended December 31, 2000, File No. 1-13397 |
| 10.16* | Amendment No. 2 to 1998 Stock Incentive Plan dated November 21, 2000, filed as Exhibit 10.20 to the Company's annual report on Form 10-K for the year ended December 31, 2000, File No. 1-13397 |
| 10.17 | Amendment No. 3 to 1998 Stock Incentive Plan dated November 20, 2002 |
| 10.18* | Amendment No. 1 to Deferred Compensation Plan dated January 19, 2002, filed as Exhibit 10.21 to the Company's annual report on Form 10-K/A for the year ended December 31, 2001, File No. 1-13397 |
| 10.19** | Tax Sharing Agreement dated December 1, 1997 between the Company and Bestfoods |
| 10.20* | Employee Benefits Agreement dated December 1, 1997 between the Company and Bestfoods, filed as Exhibit 4.E to the Company's Registration Statement on Form S-8, File No. 333-43525 |
| 11.1 | Earnings Per Share Computation |
| 12.1 | Computation of Ratio of Earnings to Fixed Charges |
| 13.1 | Management's Discussion and Analysis of Financial Condition and Results of Operations and Consolidated Financial Statements and Notes |
| 18.1* | Preferability letter from KPMG, filed as Exhibit 18.1 to the Company's annual report on Form 10-K for the year ended December 31, 2000, File No. 1-13397 |
| 21.1 | Subsidiaries of the Registrant |
| 23.1 | Consent of KPMG LLP |
| 24.1 | Power of Attorney |
| 99.1 | CEO Certification Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code as created by the Sarbanes-Oxley Act of 2002 |
| 99.2 | CFO Certification Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code as created by the Sarbanes-Oxley Act of 2002 |

* Incorporated herein by reference as indicated in the exhibit description.

** Incorporated herein by reference to the exhibits filed with the Company's Annual Report on Form 10-K for the year ended December 31, 1997.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The year 2002 proved to be a challenging one for Corn Products International, Inc. given the enactment of a discriminatory tax on soft drinks sweetened with high fructose corn syrup ("HFCS") in Mexico (see Recent Developments and Outlook section below) and difficult economic conditions in South America. Despite these difficulties, however, our net income increased from the prior year driven by substantially lower financing costs and the discontinuation of goodwill amortization. Additionally, our operating cash flows grew 20 percent and our debt level was substantially reduced.

In North America, significantly lower operating income in Mexico caused by the discriminatory tax on beverages sweetened with HFCS more than offset improved earnings throughout the rest of the region, resulting in a 14 percent decline in operating income for the region. In South America, operating earnings decreased 15 percent reflecting difficult economic conditions and local currency weakness throughout the region. In Asia/Africa, higher sales volume, stronger Asian currencies and the discontinuation of goodwill amortization drove operating income up 20 percent from 2001.

In 2001, we began selling, marketing and distributing designated sweetener production destined for sale in the United States through CornProductsMCP Sweeteners LLC ("CPMCP"), a limited liability joint marketing company owned by the Company and Minnesota Corn Processors, LLC ("MCP"). On July 11, 2002, MCP announced that it had signed a merger agreement with Archer-Daniels-Midland Company ("ADM"), whereby MCP would merge with a subsidiary of ADM. The consummation of the merger was subject to a number of conditions, including approval from the unit holders of MCP and various regulatory agencies. On September 5, 2002, the unit holders of MCP approved the proposed sale. Shortly thereafter, the United States Justice Department's Antitrust Division filed a lawsuit in U.S. District Court, formally blocking the proposed transaction, and simultaneously also filed a consent decree approving the sale and requiring CPMCP to be dissolved by December 31, 2002.

On September 6, 2002, we were notified of MCP's desire to dissolve CPMCP effective December 31, 2002. On December 27, 2002, the Company and MCP agreed in principle to a plan of dissolution that will allow for the orderly wind up of CPMCP activities. Under the terms of the plan of dissolution, MCP agreed to pay us an \$11 million termination fee as required under the CPMCP Limited Liability Company Agreement between the Company and MCP dated December 1, 2000. We received this payment on December 31, 2002. In addition, we recorded an \$8 million charge for our share of costs incurred relating to the dissolution. These expenses consist primarily of direct incremental costs related to the termination of employees, early termination of leases, losses on the disposition of assets and other wind-down costs. The net non-recurring income of \$3 million (\$2 million after-tax, or \$0.06 per diluted share) is included in other income in the 2002 Consolidated Statement of Income.

Recent Developments and Outlook

On January 1, 2002, a discriminatory tax on soft drinks sweetened with HFCS approved by the Mexican Congress late in 2001, became effective. This tax was temporarily suspended on March 5, 2002. In response to the enactment of the tax, which at the time effectively ended the use of HFCS for soft drinks in Mexico, we ceased production of HFCS 55 at our San Juan del Rio plant, one of our four plants in Mexico. Effective with the March 5, 2002 suspension of the tax, we resumed the production and sale of HFCS in Mexico, although at levels below historical volumes. On July 12, 2002, the Mexican Supreme Court annulled the temporary suspension of the tax, thereby resuming the tax, and we curtailed the production of HFCS 55 at our San Juan del Rio plant. On December 10, 2002, the Mexican Congress declined to repeal the controversial tax on soft drinks sweetened with HFCS.

We are disappointed with the Mexican Congress' decision to retain the tax on soft drinks sweetened with HFCS. However, we continue to explore all options for resolving the situation and minimizing any potential

long-term negative financial impact that might occur. We have engaged in discussions regarding the matter with both U.S. and Mexican government trade officials, and have received informal assurances from both sides that repeal of the tax is a condition precedent to resolving certain trade issues between the countries. These same officials have also implied that a resolution of these matters is expected in the near term. However, we cannot predict with any certainty whether these trade matters will ultimately be resolved or the likelihood or timing of repeal of the tax on soft drinks sweetened with HFCS. In the meantime, we are attempting to mitigate the negative effects of the tax on HFCS demand in Mexico by exploring other markets for our HFCS production capacity in and around Mexico. We are continuing the restructuring of our Mexican operations in an effort to improve efficiency and reduce operating costs. We have also initiated formal action to seek compensation for damage to our Mexican operations under the provisions of the North American Free Trade Agreement (NAFTA).

On January 28, 2003, we notified the Government of Mexico of our intention to submit to arbitration a claim for compensation under the investment provisions of the NAFTA. We believe that the Government of Mexico has violated certain of its obligations with respect to foreign investors under the NAFTA, including those regarding non-discriminatory treatment and expropriations. The claim, which approximates \$250 million, seeks compensation for past and potential lost profits and other costs related to our operations in Mexico as well as our costs in pursuing resolution of this matter. The filing of the notice of intent is the first step required by the NAFTA in pursuing the resolution of an investment dispute. The NAFTA requires the Company to serve written notice of its intention to submit a claim at least three months prior to submitting the claim to arbitration. Pursuant to the process, the Company and the Government of Mexico must continue to attempt to resolve the situation through consultation or negotiation during this period.

Until there is a favorable resolution of the Mexican tax on soft drinks sweetened with HFCS, we expect that we will be unable to make any significant sales of HFCS to the soft drink industry in Mexico. Management continues to seek a permanent repeal of the tax and currently believes that the matter will ultimately be resolved through negotiations between the governments of the United States and Mexico. Until that occurs, however, our operating results and cash flows will continue to be adversely affected by the Mexican tax on soft drinks sweetened with HFCS.

We currently believe that 2003 net income will improve from the past year despite the Mexican HFCS tax.

Results of Operations

2002 Compared to 2001

Net Income. We reported net income of \$63 million, or \$1.77 per diluted common share for the year 2002, as compared to \$57 million, or \$1.60 per diluted common share for 2001. The 2002 results include \$8 million (\$5 million after-tax) of net non-recurring earnings consisting primarily of a gain from the sale of a business unit, net of certain one-time charges, and the impact from the dissolution of CPMCP. The non-recurring earnings include an \$8 million pretax gain from the February 2002 sale of Enzyme-Bio Systems Ltd. (“EBS”) and \$3 million of net non-recurring earnings related to the dissolution of CPMCP, partially offset by \$4 million of charges principally related to workforce reductions in North America. Additionally, a one-time gain of \$1 million resulting from the curtailment of certain benefit costs pertaining to the EBS sale and workforce reduction was recorded. The 2001 results include \$5.4 million (\$3.5 million after-tax) of net non-recurring earnings related to a value-added tax refund net of certain one-time charges. Excluding the net non-recurring income from both 2002 and 2001, we earned \$58 million, or \$1.63 per diluted share in 2002, compared to \$53 million, or \$1.50 per diluted share in 2001. This increase primarily reflects significantly lower financing costs and, to a lesser extent, the discontinuation of goodwill amortization which more than offset a reduction in operating income mainly attributable to lower earnings in North America and South America and an increase in minority interest. Results for 2001 include goodwill amortization expense of \$12 million (\$8 million after-tax), or \$0.21 per diluted share. We discontinued amortization of goodwill following the adoption of Statement of Financial Accounting Standards No. 142, “Goodwill and Other Intangible Assets,” effective January 1, 2002.

Net Sales. Net sales for 2002 declined slightly to \$1.87 billion from \$1.89 billion in 2001, as decreased sales in South America more than offset increased sales in Asia/Africa and North America.

A summary of net sales by geographic region is shown below:

| | <u>2002</u> | <u>2001</u> | <u>Increase (Decrease)</u> | <u>% Change</u> |
|---------------------|----------------|----------------|--------------------------------|-----------------|
| | | | (in millions) | |
| North America | \$1,219 | \$1,212 | \$ 7 | 1% |
| South America | 401 | 440 | (39) | (9)% |
| Asia/Africa | <u>251</u> | <u>235</u> | <u>16</u> | <u>7%</u> |
| Total | <u>\$1,871</u> | <u>\$1,887</u> | <u>\$(16)</u> | <u>(1)%</u> |

Weaker foreign currencies, particularly in South America, reduced sales by 11 percent, which offset improved price/product mix worldwide. Volume declines reduced sales by 1 percent.

Sales in North America increased 1 percent, as a 3 percent price/product mix improvement was offset by a volume decline of 1 percent and slightly weaker local currencies. Sales in South America fell 9 percent, as price/product mix improvements, while significant (up 37 percent), lagged local currency devaluation throughout the region. Additionally, volume in the region was down 1 percent. Sales in Asia/Africa increased 7 percent, reflecting 4 percent volume growth and stronger local currencies. Price/product mix in the region was essentially unchanged from 2001.

Cost of Sales and Operating Expenses. Cost of sales for 2002 increased 1 percent to \$1.60 billion from \$1.59 billion in 2001. Excluding the effect of certain non-recurring items from 2001, cost of sales for 2002 was flat as compared with last year, while gross profit margin declined to 14 percent from 15 percent in 2001. The lower gross profit percentage principally reflects reduced operating margins mainly due to the HFCS tax issue in Mexico and economic weakness in Brazil.

Selling, general and administrative (“SG&A”) expenses for 2002 decreased to \$134 million from \$154 million in 2001, due primarily to the discontinuation of goodwill amortization in 2002. We recorded \$12 million of goodwill amortization in 2001. SG&A expenses include non-recurring costs of \$3 million and \$5 million in 2002 and 2001, respectively. Excluding the effect of these non-recurring items and goodwill amortization, SG&A expenses for 2002 represented 7.0 percent of net sales, down from 7.2 percent in 2001. This decrease principally reflects cost reductions in North America and lower expenses in South America attributable to weaker local currencies.

Earnings from Non-Consolidated Affiliates and Other Income. Earnings from non-consolidated affiliates and other income for 2002 decreased to \$20 million from \$21 million in 2001, as the previously mentioned gain from the sale of EBS (\$8 million) and income from the CPMCP dissolution (\$3 million) were substantially offset by a \$7 million reduction in earnings from non-consolidated affiliates. Additionally, other income for 2001 included a \$3 million gain from the cancellation of a long-term obligation.

Operating Income. A summary of operating income is shown below:

| | <u>2002</u> | <u>2001</u> | <u>Favorable (Unfavorable) Variance</u> <u>(in millions)</u> | <u>Favorable (Unfavorable) % Change</u> |
|--------------------------------|--------------|--------------|---|---|
| North America | \$ 56 | \$ 65 | \$ (9) | (14)% |
| South America | 58 | 68 | (10) | (15)% |
| Asia/Africa | 54 | 45 | 9 | 20% |
| Corporate expenses | <u>(23)</u> | <u>(17)</u> | <u>(6)</u> | <u>(35)%</u> |
| Total | \$145 | \$161 | \$(16) | (10)% |
| Non-recurring items, net | <u>8</u> | <u>5</u> | <u>3</u> | <u>60%</u> |
| Operating income | <u>\$153</u> | <u>\$166</u> | <u>\$(13)</u> | <u>(8)%</u> |

Operating income for 2002 decreased 8 percent to \$153 million from \$166 million in 2001. Excluding the net non-recurring earnings from both years and goodwill amortization from the 2001 period, operating income decreased 16 percent from 2001, reflecting significantly lower earnings in North America and South America. North America operating income decreased 14 percent from a year-ago, as significantly lower results for Mexico due to the imposition of the Mexican HFCS tax more than offset earnings improvements throughout the rest of the region. Excluding goodwill amortization from the prior year, operating income in North America dropped 18 percent from 2001. South America operating income fell 15 percent, primarily due to the difficult economic conditions and weaker currencies throughout the region, particularly in Brazil. Excluding goodwill amortization from last year's results, operating income in South America declined 16 percent from last year. Asia/Africa operating income increased 20 percent from a year ago largely due to the discontinuation of goodwill amortization. Excluding goodwill amortization, Asia/Africa operating income for 2002 was up 3 percent from last year, primarily reflecting stronger local currencies and increased volume.

Financing Costs. Financing costs decreased to \$36 million in 2002 from \$64 million in 2001. The decrease primarily reflects lower interest rates, reduced debt levels and foreign currency transaction gains. We recorded \$1 million of foreign currency transaction gains in 2002 as compared with foreign currency transaction losses of \$8 million in 2001.

Provision for Income Taxes. Our effective tax rate was 36 percent in 2002, up from 35 percent in 2001. The higher tax rate is mainly due to a change in the mix of domestic and foreign earnings for 2002 as compared with 2001.

Minority Interest in Earnings. Minority interest in earnings increased to \$12 million in 2002 from \$9 million in 2001. The increase primarily reflects improved earnings in the Southern Cone of South America and Korea, which more than offset a reduction in minority interest attributable to our increased ownership in Arancia Corn Products, S.A. de C.V. ("Arancia"). Arancia became a wholly-owned subsidiary on March 4, 2002.

Comprehensive Loss. We recorded a comprehensive loss of \$22 million in 2002 compared to a comprehensive loss of \$93 million in 2001. The decrease in the comprehensive loss reflects a \$36 million favorable variance in the currency translation adjustment, gains from cash flow hedges (net of income taxes) and an increase in net income. For 2002, we recorded a negative currency translation adjustment of \$94 million, compared to a negative currency translation adjustment of \$130 million in 2001. The unfavorable currency translation adjustment for 2002 relates primarily to the negative impact of weakened local currencies, particularly in Argentina and Brazil.

2001 Compared to 2000

Net Income. We reported net income of \$57 million, or \$1.60 per diluted common share for the year 2001, as compared to \$48 million, or \$1.35 per diluted common share for 2000. The 2001 results include \$5.4 million (\$3.5 million after-tax) of non-recurring earnings from a tax refund, net of certain one-time

charges. The results for 2000 include special charges of \$20 million (\$13 million after-tax) pertaining to a workforce reduction program (\$17.5 million) and the write-off of certain capital projects (\$2.5 million). Excluding the non-recurring earnings from the 2001 results and the special charges recorded in 2000, the Company earned \$53 million, or \$1.50 per diluted share in 2001, down from \$61 million, or \$1.72 per diluted share in 2000. This decrease principally reflects weaker foreign currencies, higher energy costs and increased financing costs, which more than offset favorable contributions from sales volume growth, improved selling prices and a reduction in minority interest in earnings.

Net Sales. Net sales for 2001 grew 1 percent to \$1.89 billion from \$1.87 billion in 2000, as increased sales in North America more than offset sales declines in South America and Asia/Africa. A summary of net sales by geographic region is shown below:

| | <u>2001</u> | <u>2000</u> | <u>Increase (Decrease)</u> | <u>% Change</u> |
|---------------------|----------------|----------------|--------------------------------|-----------------|
| | | | (in millions) | |
| North America | \$1,212 | \$1,157 | \$ 55 | 5 % |
| South America | 440 | 460 | (20) | (4)% |
| Asia/Africa | <u>235</u> | <u>248</u> | <u>(13)</u> | <u>(5)%</u> |
| Total | <u>\$1,887</u> | <u>\$1,865</u> | <u>\$ 22</u> | <u>1 %</u> |

Increased volume worldwide and improved price/mix resulted in net sales growth of 4 percent and 3 percent, respectively, which was largely offset by a 6 percent reduction attributable to weaker foreign currencies, particularly in Brazil and Korea. Sales in North America grew 5 percent, reflecting 3 percent volume growth and 2 percent price/product mix improvement. Significantly higher volume and improved price/product mix in both Canada and Mexico more than offset a volume decline in the United States. South America sales declined 4 percent as currency weakness throughout the region more than offset an 8 percent growth attributable to increased volume and a 3 percent price/product mix improvement. The value of local currencies in relation to the US dollar fell in each country within the region, with the decline in the Brazilian Real having the most significant impact. Local currency weakness also caused sales in Asia/Africa to decline in terms of U.S. dollars from the prior year. Sales in Asia/Africa decreased 5 percent as weaker currencies in Korea, and to a lesser extent in Pakistan, more than offset a 4 percent price/product mix improvement and 2 percent volume growth in the region.

Cost of Sales and Operating Expenses. Cost of sales for 2001 increased 2 percent to \$1.59 billion from \$1.56 billion in 2000, on sales volume growth of 4 percent. Excluding the effect of non-recurring items, cost of sales increased approximately 3 percent from 2000, while gross margin declined to 15 percent from 16 percent in 2000. The reduction in the gross profit margin principally reflects higher energy costs and lower by-product selling prices, particularly during the first half of 2001.

SG&A expenses for 2001 increased to \$154 million from \$139 million in 2000, due in part to the recording of certain non-recurring costs. Excluding the non-recurring costs, SG&A expenses totaled \$149 million, representing 7.9 percent of net sales, up from 7.5 percent in 2000. This increase resulted mainly from higher administrative costs and increased general corporate expenses.

Earnings from Non-Consolidated Affiliates and Other Income. Earnings from non-consolidated affiliates and other income for 2001 increased to \$21 million from \$9 million in 2000, primarily due to the recording of our share of the earnings of CPMCP, partially offset by reduced fee and royalty income. Additionally, other income for 2001 included a \$3 million gain from the cancellation of a long-term obligation.

Operating Income. A summary of operating income is shown below:

| | <u>2001</u> | <u>2000</u> | <u>Favorable (Unfavorable) Variance</u> <u>(in millions)</u> | <u>Favorable (Unfavorable) % Change</u> |
|--------------------------------|--------------|--------------|---|---|
| North America | \$ 65 | \$ 77 | \$(12) | (16)% |
| South America | 68 | 61 | 7 | 11% |
| Asia/Africa | 45 | 54 | (9) | (17)% |
| Corporate expenses | <u>(17)</u> | <u>(16)</u> | <u>(1)</u> | <u>(6)%</u> |
| Total | \$161 | \$176 | \$(15) | (9)% |
| Non-recurring items, net | <u>5</u> | <u>(20)</u> | <u>25</u> | <u>nm*</u> |
| Operating income | <u>\$166</u> | <u>\$156</u> | <u>\$ 10</u> | <u>6%</u> |

* nm — not meaningful

Operating income for 2001 increased 6 percent to \$166 million from \$156 million in 2000. However, excluding the non-recurring earnings recorded in 2001 and the special charges taken in 2000, operating income declined 9 percent to \$161 million from \$176 million in 2000. The decline in operating income reflects reduced earnings in North America and Asia/Africa of 16 percent and 17 percent, respectively, which more than offset an 11 percent improvement in South America. The decrease in North America resulted primarily from higher energy costs and lower by-product selling prices, particularly during the first half of 2001. The lower results in Asia/Africa principally reflect unfavorable translation effects associated with the previously mentioned currency weakness in the region. South America operating income grew 11 percent as earnings in the Southern Cone of South America almost doubled from 2000, more than offsetting lower operating profits in Brazil.

Financing Costs. Financing costs increased to \$64 million in 2001 from \$54 million in 2000. This increase was primarily due to the recognition of \$8 million of foreign currency transaction losses in 2001 (\$7 million of which resulted from the January 6, 2002 devaluation of the Argentine peso), as compared to foreign currency transaction gains of \$1 million in 2000. A decrease in capitalized interest and higher average outstanding indebtedness due to acquisition related borrowings, partially offset by lower weighted average interest rates, also contributed to the increased financing costs.

Provision for Income Taxes. Our effective tax rate was 35 percent for both 2001 and 2000. The tax rates reflect the favorable effect of foreign source income in countries where tax rates are generally lower than in the United States.

Minority Interest in Earnings. Minority interest in earnings decreased to \$9 million in 2001 from \$18 million in 2000. This decrease mainly reflects the increase in our ownership interest in Doosan Corn Products Korea, Inc., our Korean affiliate, from 50 to 75 percent, effective January 2001.

Comprehensive Loss. We recorded a comprehensive loss of \$93 million in 2001 compared to a comprehensive loss of \$15 million in 2000. The increased loss principally reflects unfavorable currency translation adjustments and, to a lesser extent, net losses of \$20 million (net of tax effects) on cash flow hedges. For 2001, we recorded a negative currency translation adjustment of \$130 million, compared to a negative currency translation adjustment of \$63 million in 2000. The unfavorable currency translation adjustment for 2001 primarily reflects the impact of the Argentine currency devaluation and the continued weakness of other local currencies relative to the U.S. dollar, particularly the Brazilian Real.

Liquidity & Capital Resources

At December 31, 2002, our total assets were \$2.02 billion, down from \$2.23 billion at December 31, 2001. This decrease primarily reflects unfavorable translation effects resulting from the stronger U.S. dollar in relation to foreign currencies, particularly in Argentina and Brazil. Additionally, improved working capital

management, the sale of EBS and fixed asset depreciation in excess of capital spending contributed to the decrease in total assets. Stockholders' equity declined to \$828 million at December 31, 2002 from \$857 million at December 31, 2001, principally due to unfavorable currency translation effects, which more than offset net income.

On June 28, 2002, the Company sold \$200 million of 8.25 percent senior notes due July 15, 2007. The net proceeds from the sale of the notes were used to repay \$197 million of borrowings outstanding under our then existing \$340 million U.S. revolving credit facility. On October 15, 2002, we entered into a new 3-year, \$125 million revolving credit agreement (the "Revolving Credit Agreement"). The Revolving Credit Agreement replaced the Company's previously existing \$340 million revolving credit facility, which has been terminated. Borrowings that had been outstanding under the \$340 million revolving credit facility were repaid with excess cash. On November 18, 2002, the Company sold an additional \$55 million of 8.25 percent senior notes due July 15, 2007. The net proceeds from the sale of the notes were used to repay indebtedness.

At December 31, 2002, we had total debt outstanding of \$600 million, compared to \$756 million at December 31, 2001. The debt outstanding includes \$255 million of 8.25 percent senior notes due 2007, \$200 million of 8.45 percent senior notes due 2009 and \$65 million of affiliate long-term debt. The current portion of long-term debt is \$12 million. We also have \$72 million of affiliate short-term borrowings outstanding.

The principal source of our liquidity comes from our internally generated cash flow, which we supplement as necessary with our ability to raise funds in both the equity and debt markets. We currently have a shelf registration statement on file under which we can issue an additional \$145 million of debt. In addition, we have a \$125 million revolving credit facility that extends to October 15, 2005, and under which there were no outstanding borrowings at December 31, 2002. We also have a total of \$360 million of unused operating lines of credit in the various foreign countries in which we operate.

The weighted average interest rate on total Company indebtedness was approximately 5.4 percent and 7.1 percent for 2002 and 2001, respectively. On March 14, 2002, we entered into interest rate swap agreements that effectively converted the interest rate associated with the Company's 8.45 percent senior notes to a variable interest rate. The fair value of these agreements at December 31, 2002 (\$27 million) is reflected in the Consolidated Balance Sheet as an offset to the increase in the fair value of the hedged debt obligation.

Net Cash Flows

A summary of operating cash flows is shown below:

| | <u>2002</u> | <u>2001</u> |
|---|---------------|--------------|
| | (in millions) | |
| Net income | \$ 63 | \$ 57 |
| Depreciation and amortization | 103 | 127 |
| Earnings from non-consolidated affiliates | (7) | (14) |
| Gain on sale of business | (8) | — |
| Gain on dissolution of business | (3) | — |
| Foreign currency transaction (gains) losses | (1) | 8 |
| Deferred taxes | (6) | 2 |
| Minority interest in earnings | 12 | 9 |
| Changes in working capital | 65 | (16) |
| Other | <u>(12)</u> | <u>(2)</u> |
| Cash provided from operations | <u>\$206</u> | <u>\$171</u> |

We generated \$206 million of cash from operations in 2002, compared to \$171 million last year. This increase primarily reflects a significant improvement in cash flow pertaining to changes in working capital, compared to last year. The increased cash flow from working capital changes resulted principally from

improved systems and procedures, particularly in the area of trade accounts receivable collections and accounts payable processing. The cash provided from operations was used primarily to reduce indebtedness and fund capital expenditures. Listed below are the Company's primary investing and financing activities for 2002 (in millions):

| | |
|--|------|
| Capital expenditures | \$78 |
| Payments to acquire additional business | 42 |
| Proceeds from the sale of EBS | 35 |
| Dividends paid (including dividends to minority interest shareholders) | 19 |
| Payments on debt | 407 |
| Proceeds from borrowings | 263 |

As described in Note 4 of the notes to the consolidated financial statements, we control approximately 73 percent of our Southern Cone of South America businesses. The minority interest shareholders of the Company's Southern Cone of South America businesses have the right to either: (i) require the Company to sell an amount of shares of the Southern Cone businesses back to the minority interest shareholders until the minority interest shareholders own 49.5 percent of the Southern Cone businesses; or (ii) require the Company to purchase the approximately 27 percent ownership interest in the Southern Cone businesses currently held by the minority interest shareholders. It is anticipated that the Company will purchase the shares from the minority interest shareholders in March 2003 at a cost of approximately \$52 million.

We expect that our operating cash flows and borrowing availability under our credit facilities will be more than sufficient to fund our anticipated capital expenditures, dividends and other investing and/or financing strategies for the foreseeable future.

Key Performance Metrics

Beginning in 2002 we began using certain key metrics to better monitor our progress towards achieving our strategic business objectives. These metrics include the tracking as to whether we are achieving an adequate return on stockholders' equity through returning our cost of "Capital Employed". We also monitor our financial leverage by looking at our "Debt to Capitalization Ratio" to assure that we are properly financed. Other key metrics include "Return on Net Sales" and "Working Capital as a percentage of Net Sales".

The fundamentals of these key metrics for 2002 with comparison to the prior year are as follows:

| <u>Return on Capital Employed</u> | <u>2002</u> | <u>2001</u> |
|--|--------------------------|----------------|
| | <u>(\$s in millions)</u> | |
| Total stockholders' equity | \$ 828 | \$ 857 |
| Add: | | |
| Cumulative translation adjustment | 407 | 313 |
| Minority interest in subsidiaries | 93 | 147 |
| Total debt | 600 | 756 |
| Less: | | |
| Cash and cash equivalents | <u>(36)</u> | <u>(65)</u> |
| Capital employed(a) | <u>\$1,892</u> | <u>\$2,008</u> |
| Operating income | \$ 153 | \$ 166 |
| Adjusted for: | | |
| Income taxes (at rates of 36% and 35%, respectively) | <u>(55)</u> | <u>(58)</u> |
| Adjusted operating income, net of tax(b) | <u>\$ 98</u> | <u>\$ 108</u> |
| Return on Capital Employed(b÷a) | <u>5.2%</u> | <u>5.4%</u> |

| <u>Debt to Capitalization Ratio</u> | <u>2002</u> | <u>2001</u> |
|---|-------------------|----------------|
| | (\$s in millions) | |
| Short-term debt | \$ 84 | \$ 444 |
| Long-term debt | <u>516</u> | <u>312</u> |
| Total debt(a) | <u>\$ 600</u> | <u>\$ 756</u> |
| Deferred income tax liabilities | \$ 163 | \$ 186 |
| Minority interest in subsidiaries | 93 | 147 |
| Stockholders' equity | <u>828</u> | <u>857</u> |
| Total capital | <u>\$1,084</u> | <u>\$1,190</u> |
| Total debt and capital(b) | <u>\$1,684</u> | <u>\$1,946</u> |
| Debt to Capitalization Ratio(a÷b) | <u>35.6%</u> | <u>38.8%</u> |
| | | |
| <u>Return on Net Sales</u> | <u>2002</u> | <u>2001</u> |
| | (\$s in millions) | |
| Net income | \$ 63 | \$ 57 |
| Add back: | | |
| Minority interest in earnings | <u>12</u> | <u>9</u> |
| Net income before minority interest(a) | <u>\$ 75</u> | <u>\$ 66</u> |
| Net sales(b) | <u>\$1,871</u> | <u>\$1,887</u> |
| Return on Net Sales(a÷b) | <u>4.0%</u> | <u>3.5%</u> |
| | | |
| <u>Working Capital as a % of Net Sales</u> | <u>2002</u> | <u>2001</u> |
| | (\$s in millions) | |
| Current assets | \$ 485 | \$ 555 |
| Less: current liabilities | <u>(347)</u> | <u>(675)</u> |
| Working capital | \$ 138 | \$ (120) |
| Add back: | | |
| Short-term debt | <u>84</u> | <u>444</u> |
| Adjusted working capital(a) | <u>\$ 222</u> | <u>\$ 324</u> |
| Net Sales(b) | <u>\$1,871</u> | <u>\$1,887</u> |
| Working Capital as a percentage of Net Sales(a÷b) | <u>11.9%</u> | <u>17.2%</u> |

Commentary on Key Performance Metrics:

In accordance with the Company's long-term objectives, we have set certain goals relating to key performance metrics that we will endeavor to meet over the next three to five years. The Company has made progress towards achieving these goals during 2002. Three of the four performance metrics improved in 2002 despite two significant events that transpired beyond the control of management. The first was the imposition of a tax on soft drinks sweetened with HFCS in Mexico that effectively ended the use of HFCS for soft drinks in that country. The second was the devaluation of currencies in South America that reduced earnings in dollar terms and significantly reduced the capitalization of the Company. The effect of the Mexican tax had a significant unfavorable impact on the Company's earnings for 2002. While the Company believes that the tax will be rescinded, we are exploring alternative business strategies in the event that the tax remains in place. The final resolution of this matter could have a material impact on the attainment of the metrics in the specified time frame. The Mexican tax event is more fully described in the Recent Developments and Outlook section of this MD&A.

Return on Capital Employed — Our goal is to achieve a Return on Capital Employed in excess of 8.5 percent, which is our average Cost of Capital as calculated based upon our current financing profile. In determining this performance metric, the negative cumulative translation adjustment is added back to stockholders' equity to calculate returns based on the Company's original investment costs. The decline in 2002 to 5.2 percent from 5.4 percent in 2001 is directly related to the following two events. During 2002 South America operating income fell 15 percent, primarily due to difficult economic conditions and weaker currencies in the region. In addition, the discriminatory tax in Mexico had a significant unfavorable impact on operating income in 2002.

Debt to Capitalization Ratio — Our goal is to maintain a Debt to Capitalization Ratio in the range of 32 to 35 percent. During 2002 we improved this ratio from 38.8 percent at December 31, 2001 to 35.6 percent at December 31, 2002. This was accomplished primarily as a result of strong cash flow generation, which contributed significantly to the reduction in our adjusted working capital from \$324 million to \$222 million. We will strive to maintain this ratio in the established range as we focus our growth on leveraging our assets through strategic acquisitions, joint ventures and alliances and selling those assets that do not meet our long-term strategy.

Return on Net Sales — Our goal is to improve our Return on Net Sales to the range of 7 to 9 percent. During 2002 our Return on Net Sales improved from 3.5 percent last year to 4.0 percent in 2002. The improvement primarily reflects achieved cost reductions. Further improvement is anticipated to result from the expected restart of our Mexican HFCS business and gains from new products and customers in both our existing business as well as from geographic expansion and alliances.

Working Capital as a % of Net Sales — Our goal is to maintain working capital in a range of 10 to 12 percent of the Company's net sales. During 2002 we made significant progress in this performance metric through a major initiative to reduce our working capital. This resulted in a 5 percent improvement in Working Capital as a Percentage of Net Sales, from just over 17 percent in 2001 to just under 12 percent in 2002.

Risk and Uncertainties

The Company operates in one business segment, corn refining, and is managed on a geographic regional basis. In each country where we conduct business, the business and assets are subject to varying degrees of risk and uncertainty. We insure our business and assets in each country against insurable risks in a manner that our management deems appropriate. Because of our geographic dispersion, we believe that a loss from non-insurable events in any one country would not have a material adverse effect on our operations as a whole. We believe there is no concentration of risk with any single customer or supplier, or small group of customers or suppliers, whose failure or non-performance would materially affect our results. We have also established policies to help manage other financial risks as discussed below.

Commodity Costs. The Company's finished products are made primarily from corn. Purchased corn accounts for between 40 percent and 65 percent of finished product costs. In North America, we sell a large portion of our finished product at firm prices established in supply contracts that typically extend for up to one year. In order to minimize the effect of volatility in the cost of corn related to these firm-priced supply contracts, we enter into corn futures contracts or take hedging positions in the corn futures market. From time to time, we may also enter into anticipatory hedges. All of these derivative contracts typically mature within one year. At expiration, we settle the derivative contracts at a net amount equal to the difference between the then-current price of corn and the fixed contract price. While these hedging instruments are subject to fluctuations in value, changes in the value of the underlying exposures we are hedging generally offset such fluctuations. While the corn futures contracts or hedging positions are intended to minimize the volatility of corn costs on operating profits, occasionally the hedging activity can result in losses, some of which may be material. Outside of North America, sales of finished product under long-term, firm-priced supply contracts are not material.

Our hedging instruments generally relate to contracted firm-priced business. Based on the Company's overall commodity hedge exposure at December 31, 2002, a hypothetical 10 percent change in market rates applied to the fair value of the instruments would have no material impact on the Company's earnings, cash

flows, financial position or the fair value of commodity price and risk-sensitive instruments over a one-year period.

International Operations and Foreign Exchange. We have operated a multinational business subject to the risks inherent in operating in foreign countries and with foreign currencies for many years. Our non-U.S. operations are subject to foreign currency exchange fluctuations, as well as to political, economic and other risks, such as those previously described in the Recent Developments and Outlook section pertaining to Mexico.

Because we primarily sell world commodities, we believe that local prices will adjust relatively quickly to offset the effect of a local devaluation. We may occasionally hedge commercial transactions and certain liabilities that are denominated in a currency other than the currency of the operating unit entering into the underlying transaction.

Interest Rate Exposure. Approximately 46 percent of our borrowings are fixed rate bonds and loans. The remaining 54 percent of our borrowings are at floating interest rates of which approximately 41 percent are long-term loans and 13 percent are short-term credit facilities. Should short-term rates change, this could affect our interest cost. A hypothetical increase of 1 percentage point in the weighted average floating interest rate for 2002 would have increased interest expense and reduced pretax income for 2002 by approximately \$2 million.

Critical Accounting Policies and Estimates

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates under different assumptions and conditions.

The Company's management has identified the most critical accounting policies upon which the financial statements are based and that involve the most complex and subjective decisions and assessments. These policies relate to our major long-lived assets, including the valuation of goodwill and other intangible assets, and the recognition of depreciation and impairment in the carrying value of property, plant and equipment. Senior management of the Company has discussed the development, selection and disclosure of these policies with members of the Audit Committee of our Board of Directors. These accounting policies are disclosed in the notes to the consolidated financial statements. The discussion that follows should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

Long-Lived Assets. The Company has substantial investments in property, plant and equipment and goodwill. For property, plant and equipment we recognize the cost of depreciable assets in operations over the estimated useful life of the assets, and we evaluate the recoverability of these assets whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. For goodwill we perform an annual impairment assessment (or more frequently if impairment indicators arise) as required by Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets." We have chosen to perform this annual impairment assessment in December of each year. An impairment loss is assessed and recognized in operating earnings if the fair value of either goodwill or property, plant and equipment is less than its carrying amount.

In analyzing the fair value of goodwill and assessing the recoverability of the carrying value of property, plant and equipment, we have to make projections regarding future cash flows. In developing these projections, we make a variety of important assumptions and estimates that have a significant impact on our assessments of whether the carrying values of goodwill and property, plant and equipment should be adjusted to reflect impairment. Among these are assumptions and estimates about the future growth and profitability of the related business unit, anticipated future economic, regulatory and political conditions in the business unit's

market, the appropriate discount rates relative to the risk profile of the unit or assets being evaluated and estimates of terminal or disposal values.

We completed the required annual test of goodwill impairment for all of our affected reporting units in December 2002. In each case, based on our assumptions about future cash flows we expect to be able to generate from each reporting unit, the fair value of the reporting unit was in excess of the related carrying amounts, and accordingly, no impairment of goodwill was required to be measured and recognized. We also concluded that the Mexican Congress' December 10, 2002 decision not to repeal the tax on soft drinks sweetened with HFCS constituted a triggering event which necessitated that we assess the recoverability of the carrying value of our HFCS production-related long-term assets in Mexico. We also completed this assessment in December 2002 and concluded, based on our assumptions about future cash flows we expect to be able to generate from these assets, that their carrying values were not impaired. For additional information regarding the status of the Mexican Government's tax on soft drinks sweetened with HFCS, refer to the "Recent Developments and Outlook" section above and to Note 3 of the notes to the consolidated financial statements.

Our ability to fully recover the carrying value of our long-term investment in Mexico, which consists primarily of goodwill and property, plant and equipment associated with our Mexican operations, is dependent upon the generation of sufficient cash flows from the use or other disposition of these assets. The Company's ability to generate these cash flows will be significantly affected by a variety of factors, including the timing and permanence of any repeal of the tax on soft drinks sweetened with HFCS, the timing and extent of any recovery in the demand for HFCS by the Mexican soft drink industry, the extent to which alternative markets for HFCS develop in and around Mexico, the success of the Company's restructuring activities in Mexico, and the amount of the proceeds received from the resolution of the Company's NAFTA claim against the Government of Mexico, if any, as well as by management's ability to develop and implement a successful long-term business strategy in Mexico. Based on our long-term forecasts of operating results, we believe that the Company will generate sufficient cash flows from the use or other disposition of these long-term assets to fully recover their carrying values. In developing our estimates of the cash flows that will be generated from the Company's Mexican operations, we have assumed that the tax on soft drinks sweetened with HFCS will be permanently repealed in the near future, and that sales of HFCS to the Mexican soft drink industry will return to the levels realized prior to the imposition of the tax by the end of 2003. Under these assumptions about future HFCS sales in Mexico, the estimated fair value of the Company's Mexican business exceeds its carrying amount by approximately \$90 million. In the event actual results differ from those assumed, the Company could be required to recognize an impairment of goodwill and property, plant and equipment, and the amount of such impairment could be material.

It is reasonably possible that we could have used different assumptions in making our estimates of future operating results and cash flows in making our impairment calculations, particularly those related to our Mexican business. For example, if we assumed that the tax on soft drinks sweetened with HFCS would not be repealed, our projections of future cash flows in Mexico would be different. While we believe that the tax will ultimately be repealed, we have nevertheless begun to develop an alternative business strategy with respect to our Mexican operations in the less likely event the tax is not rescinded. This strategy includes, among other things, the following: (i) developing new uses and new customers for HFCS; (ii) increasing sales of our current product portfolio, as well as developing new products for the region; (iii) investing capital to increase production output for current and new products; (iv) the potential transfer of certain HFCS equipment to plants outside of Mexico; and (v) continuing our cost reduction program. Based on our projections of operating results and cash flows that would be generated under this alternative business model for our Mexican operations, we may be required to record an impairment charge to write-down the carrying value of goodwill in the event the tax is not repealed. These assumptions are subject to change based on business conditions and the results of the impairment calculations could be significantly different if performed at a later date.

In concluding that an impairment of our Mexican goodwill may arise if the tax is not repealed, we assumed that no proceeds will be received from our claim for compensation under NAFTA against the Mexican Government. Any recovery we receive from the resolution of this claim would reduce the amount of

any impairment to be recognized. However, no assurance can be made that we will be successful in either asserting our claim or in recovering damages.

New Accounting Standards

In June 2001, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 143, “Accounting for Asset Retirement Obligations” (“SFAS 143”), which addresses financial accounting and reporting for legal obligations associated with the retirement of tangible long-lived assets and the related asset retirement costs. The Company is required to adopt SFAS 143 effective January 1, 2003. The adoption of SFAS 143 is not expected to have a significant effect on the Company’s consolidated financial statements.

In July 2002, the FASB issued SFAS No. 146, “Accounting for Costs Associated with Exit or Disposal Activities” (“SFAS 146”), which addresses financial accounting and reporting for costs associated with exit or disposal activities. SFAS 146 replaces EITF Issue No. 94-3, “Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)”. SFAS 146 is required to be applied prospectively to exit or disposal activities initiated after December 31, 2002. The adoption of SFAS 146 is not expected to have a significant effect on the Company’s consolidated financial statements.

In November 2002, the FASB issued Interpretation No. 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others” (“FIN 45”), which addresses financial accounting and reporting for obligations under certain guarantees. FIN 45 requires, among other things, that a guarantor recognize a liability for the fair value of an obligation undertaken in issuing a guarantee, under certain circumstances. The recognition and measurement provisions of FIN 45 are required to be applied prospectively to guarantees issued or modified after December 31, 2002. The adoption of FIN 45 is not expected to have a significant effect on the Company’s consolidated financial statements.

In December 2002, the FASB issued SFAS No. 148, “Accounting for Stock-Based Compensation — Transition and Disclosure, an amendment of FASB Statement No. 123” (“SFAS 148”). SFAS 148 amends SFAS 123 to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements for SFAS 123 to require prominent disclosures in both annual and interim financial statements. Certain of the disclosure modifications are required for fiscal years ending after December 15, 2002 and are included in the notes to the consolidated financial statements included elsewhere in this report.

In January 2003, the FASB issued Interpretation No. 46, “Consolidation of Variable Interest Entities, an interpretation of ARB No. 51” (“FIN 46”), which addresses the consolidation of variable interest entities as defined in the Interpretation. FIN 46 applies immediately to variable interests in variable interest entities created after January 31, 2003, and to variable interests in variable interest entities obtained after January 31, 2003. The application of FIN 46 is not expected to have a material effect on the Company’s consolidated financial statements.

Forward Looking Statements

This Annual Report on Form 10-K contains or may contain forward-looking statements concerning the Company’s financial position, business and future earnings and prospects, in addition to other statements using words such as anticipate, believe, plan, estimate, expect, intend and other similar expressions. These statements contain certain inherent risks and uncertainties. Although we believe our expectations reflected in these forward-looking statements are based on reasonable assumptions, stockholders are cautioned that no assurance can be given that our expectations will prove correct. Actual results and developments may differ materially from the expectations conveyed in these statements, based on factors such as the following: fluctuations in worldwide commodities markets and the associated risks of hedging against such fluctuations; fluctuations in aggregate industry supply and market demand; general political, economic, business, market and weather conditions in the various geographic regions and countries in which we manufacture and sell our products, including fluctuations in the value of local currencies, energy costs and availability and changes in regulatory controls regarding quotas, tariffs, taxes and biotechnology issues; increased competitive and/or

customer pressure in the corn-refining industry; the outbreak or continuation of hostilities; and stock market fluctuation and volatility. Our forward-looking statements speak only as of the date on which they are made and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of the statement. If we do update or correct one or more of these statements, investors and others should not conclude that we will make additional updates or corrections. For a further description of risk factors, see the Company's most recently filed Annual Report on Form 10-K and subsequent reports on Forms 10-Q or 8-K.

REPORT OF MANAGEMENT

THE MANAGEMENT OF CORN PRODUCTS INTERNATIONAL, INC. is responsible for the financial and operating information contained in this Annual Report on Form 10-K, including the consolidated financial statements covered by the independent auditors' report. These financial statements were prepared in conformity with accounting principles generally accepted in the United States of America and include, where necessary, informed estimates and judgements.

The Company maintains systems of accounting, disclosure and internal control designed to provide reasonable assurance that assets are safeguarded against loss, and that transactions are executed and recorded properly so as to ensure that the financial records are reliable for preparing financial statements and that the financial statements and disclosures are accurately reported.

Elements of these control systems include the establishment and communication of accounting and administrative policies and procedures, the selection and training of qualified personnel and a continuous program of internal audit.

The Company's consolidated financial statements are reviewed by its Audit Committee, which is composed entirely of independent outside directors. This Committee meets regularly with management, the Company's internal auditors and with the independent auditors to review the scope and results of the annual audit and interim reviews, to discuss their evaluation of internal controls and the quality of financial reporting, and to carry out the Audit Committee's oversight role with respect to internal auditing, internal controls and financial reporting matters. Both the independent auditors and the internal auditors meet privately with, and have direct access to, the Audit Committee to discuss the results of their audits.

James W. Ripley
Chief Financial Officer

January 28, 2003

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders of Corn Products International, Inc.:

We have audited the accompanying consolidated balance sheets of Corn Products International, Inc. and its subsidiaries (the "Company") as of December 31, 2002 and 2001, and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Corn Products International, Inc. and its subsidiaries as of December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standard (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities, as of January 1, 2001 and SFAS No. 142, Goodwill and Other Intangible Assets, as of January 1, 2002.

KPMG LLP

Chicago, Illinois
January 28, 2003

CORN PRODUCTS INTERNATIONAL, INC.
CONSOLIDATED FINANCIAL STATEMENTS AND NOTES
FOR THE YEAR ENDED DECEMBER 31, 2002

CORN PRODUCTS INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF INCOME

| | <u>Year Ended December 31,</u> | | |
|--|--|--------------|--------------|
| | <u>2002</u> | <u>2001</u> | <u>2000</u> |
| | (in millions, except per share amounts) | | |
| Net sales before shipping and handling costs | \$1,979 | \$2,034 | \$2,036 |
| Less — shipping and handling costs | <u>108</u> | <u>147</u> | <u>171</u> |
| Net sales | 1,871 | 1,887 | 1,865 |
| Cost of sales | <u>1,604</u> | <u>1,588</u> | <u>1,559</u> |
| Gross profit | <u>267</u> | <u>299</u> | <u>306</u> |
| Selling, general and administrative costs | 134 | 154 | 139 |
| Special charges | — | — | 20 |
| Earnings from non-consolidated affiliates and other income | <u>(20)</u> | <u>(21)</u> | <u>(9)</u> |
| | <u>114</u> | <u>133</u> | <u>150</u> |
| Operating income | 153 | 166 | 156 |
| Financing costs — net | <u>36</u> | <u>64</u> | <u>54</u> |
| Income before income taxes and minority interest | 117 | 102 | 102 |
| Provision for income taxes | 42 | 36 | 36 |
| Minority interest in earnings | <u>12</u> | <u>9</u> | <u>18</u> |
| Net income | <u>\$ 63</u> | <u>\$ 57</u> | <u>\$ 48</u> |
| Weighted average common shares outstanding: | | | |
| Basic | 35.6 | 35.3 | 35.3 |
| Diluted | 35.7 | 35.5 | 35.3 |
| Earnings per common share: | | | |
| Basic | \$ 1.78 | \$ 1.60 | \$ 1.35 |
| Diluted | 1.77 | 1.60 | 1.35 |

See notes to the consolidated financial statements.

CORN PRODUCTS INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS

| | As of December 31, | |
|---|---|-----------------|
| | 2002 | 2001 |
| | (in millions, except share and per share amounts) | |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 36 | \$ 65 |
| Accounts receivable — net | 244 | 279 |
| Inventories | 194 | 201 |
| Prepaid expenses | 11 | 10 |
| Total current assets | 485 | 555 |
| Property, plant and equipment, at cost | | |
| Land | 97 | 92 |
| Buildings | 286 | 326 |
| Machinery and equipment | 2,203 | 2,328 |
| | 2,586 | 2,746 |
| Less accumulated depreciation | (1,432) | (1,453) |
| | 1,154 | 1,293 |
| Goodwill and other intangible assets (less accumulated amortization of \$27 and \$26) | 280 | 283 |
| Deferred tax assets | 33 | 20 |
| Investments | 26 | 41 |
| Other assets | 37 | 35 |
| Total assets | \$ 2,015 | \$ 2,227 |
| Liabilities and stockholders' equity | | |
| Current liabilities | | |
| Short-term borrowings and current portion of long-term debt | \$ 84 | \$ 444 |
| Accounts payable | 164 | 143 |
| Accrued liabilities | 99 | 88 |
| Total current liabilities | 347 | 675 |
| Non-current liabilities | | |
| Long-term debt | 68 | 50 |
| Deferred income taxes | 516 | 312 |
| Minority interest in subsidiaries | 163 | 186 |
| | 93 | 147 |
| Stockholders' equity | | |
| Preferred stock — authorized 25,000,000 shares — \$0.01 par value, none issued ... | — | — |
| Common stock — authorized 200,000,000 shares — \$0.01 par value — 37,659,887 issued at December 31, 2002 and 2001 | 1 | 1 |
| Additional paid-in capital | 1,073 | 1,073 |
| Less: Treasury stock (common stock; 1,956,113 and 2,253,578 shares in 2002 and 2001, respectively) at cost | (48) | (56) |
| Deferred compensation — restricted stock | (4) | (3) |
| Accumulated other comprehensive loss | (418) | (333) |
| Retained earnings | 224 | 175 |
| Total stockholders' equity | 828 | 857 |
| Total liabilities and stockholders' equity | \$ 2,015 | \$ 2,227 |

See notes to the consolidated financial statements.

CORN PRODUCTS INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

| | <u>Year Ended December 31,</u> | | |
|---|--------------------------------|-----------------------|----------------------|
| | <u>2002</u> | <u>2001</u> | <u>2000</u> |
| | (in millions) | | |
| Net income | \$ 63 | \$ 57 | \$ 48 |
| Other comprehensive income (loss): | | | |
| Gain (loss) on cash flow hedges: | | | |
| Cumulative effect of adoption of SFAS 133, net of income taxes of \$8 million | — | 14 | — |
| Unrealized gains (losses) on cash flow hedges, net of income tax effect of \$2 million and \$11 million, respectively | (4) | (21) | — |
| Amount of (gains) losses on cash flow hedges reclassified to earnings, net of income tax effect of \$8 million and \$7 million, respectively | 14 | (13) | — |
| Currency translation adjustment | (94) | (130) | (63) |
| Minimum pension liability, net of income tax effect | <u>(1)</u> | <u>—</u> | <u>—</u> |
| Comprehensive loss | <u><u>\$(22)</u></u> | <u><u>\$ (93)</u></u> | <u><u>\$(15)</u></u> |

See notes to the consolidated financial statements.

CORN PRODUCTS INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

| | <u>Common Stock</u> | <u>Additional Paid-In Capital</u> | <u>Treasury Stock</u> | <u>Deferred Compensation</u> | <u>Accumulated Other Comprehensive Income (Loss)</u> | <u>Retained Earnings</u> |
|--|-------------------------|---|---------------------------|----------------------------------|--|------------------------------|
| | (in millions) | | | | | |
| Balance, December 31, 1999 | <u>\$1</u> | <u>\$1,073</u> | <u>\$(20)</u> | <u>\$(2)</u> | <u>\$(120)</u> | <u>\$ 98</u> |
| Net income | | | | | | 48 |
| Dividends declared | | | | | | (14) |
| Issuance of restricted common stock as compensation | | | 1 | (1) | | |
| Issuance of common stock in connection with acquisition | | | 3 | | | |
| Purchase of treasury stock | | | (44) | | | |
| Currency translation adjustment | | | | | (63) | |
| Balance, December 31, 2000 | <u>\$1</u> | <u>\$1,073</u> | <u>\$(60)</u> | <u>\$(3)</u> | <u>\$(183)</u> | <u>\$132</u> |
| Net income | | | | | | 57 |
| Dividends declared | | | | | | (14) |
| Cumulative effect of adoption of SFAS 133, net of income taxes of \$8 million | | | | | 14 | |
| Unrealized gains (losses) on cash flow hedges, net of income tax effect of \$11 million | | | | | (21) | |
| Amount of (gains) losses on cash flow hedges reclassified to earnings, net of income tax effect of \$7 million | | | | | (13) | |
| Issuance of common stock on exercise of stock options | | | 4 | | | |
| Currency translation adjustment | | | | | (130) | |
| Balance, December 31, 2001 | <u>\$1</u> | <u>\$1,073</u> | <u>\$(56)</u> | <u>\$(3)</u> | <u>\$(333)</u> | <u>\$175</u> |
| Net income | | | | | | 63 |
| Dividends declared | | | | | | (14) |
| Unrealized gains (losses) on cash flow hedges, net of income tax effect of \$2 million | | | | | (4) | |
| Amount of (gains) losses on cash flow hedges reclassified to earnings, net of income tax effect of \$8 million | | | | | 14 | |
| Issuance of common stock in connection with acquisition | | | 2 | | | |
| Issuance of restricted common stock as compensation | | | 2 | (2) | | |
| Amortization to compensation expense of restricted common stock | | | | 1 | | |
| Issuance of common stock on exercise of stock options | | | 4 | | | |
| Currency translation adjustment | | | | | (94) | |
| Minimum pension liability, net of income tax effect .. | | | | | (1) | |
| Balance, December 31, 2002 | <u>\$1</u> | <u>\$1,073</u> | <u>\$(48)</u> | <u>\$(4)</u> | <u>\$(418)</u> | <u>\$224</u> |

See notes to the consolidated financial statements.

CORN PRODUCTS INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year Ended December 31, | | |
|--|-------------------------|--------------|--------------|
| | 2002 | 2001 | 2000 |
| | (in millions) | | |
| Cash provided by (used for) operating activities: | | | |
| Net income | \$ 63 | \$ 57 | \$ 48 |
| Non-cash charges (credits) to net income: | | | |
| Depreciation and amortization | 103 | 127 | 135 |
| Deferred income taxes | (6) | 2 | 15 |
| Minority interest in earnings | 12 | 9 | 18 |
| Earnings from non-consolidated affiliates | (7) | (14) | (1) |
| Gain on sale of business | (8) | — | — |
| Gain on dissolution of business | (3) | — | — |
| Foreign currency transaction (gains) losses | (1) | 8 | (1) |
| Changes in trade working capital: | | | |
| Accounts receivable and prepaid expenses | 9 | (30) | 3 |
| Inventories | (6) | 20 | (12) |
| Accounts payable and accrued liabilities | 62 | (6) | 8 |
| Other | (12) | (2) | (25) |
| Cash provided by operating activities | <u>206</u> | <u>171</u> | <u>188</u> |
| Cash provided by (used for) investing activities: | | | |
| Capital expenditures | (78) | (94) | (143) |
| Proceeds from disposal of plants and properties | 1 | 2 | 1 |
| Proceeds from sale of business | 35 | — | — |
| Proceeds from dissolution of business | 11 | — | — |
| Payments for acquisitions, net of cash acquired | (42) | (79) | (120) |
| Cash used for investing activities | <u>(73)</u> | <u>(171)</u> | <u>(262)</u> |
| Cash provided by (used for) financing activities: | | | |
| Payments on debt | (407) | (83) | (135) |
| Proceeds from borrowings | 263 | 129 | 267 |
| Dividends paid (including to minority interest shareholders) | (19) | (23) | (14) |
| Issuance (repurchase) of common stock | 4 | 4 | (44) |
| Cash (used for) provided by financing activities | <u>(159)</u> | <u>27</u> | <u>74</u> |
| Effects of foreign exchange rate changes on cash | (3) | (3) | — |
| Increase (decrease) in cash and cash equivalents | (29) | 24 | — |
| Cash and cash equivalents, beginning of period | 65 | 41 | 41 |
| Cash and cash equivalents, end of period | <u>\$ 36</u> | <u>\$ 65</u> | <u>\$ 41</u> |

See notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Description of the Business

Corn Products International, Inc. (the “Company”) was founded in 1906 and became an independent and public company as of December 31, 1997, after being spun off from CPC International Inc. (“CPC”). The Company operates domestically and internationally in one business segment, corn refining, and produces a wide variety of products.

Note 2 — Summary of Significant Accounting Policies

Basis of presentation — The consolidated financial statements consist of the accounts of the Company, including all significant subsidiaries. Intercompany accounts and transactions are eliminated in consolidation.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Certain prior year amounts have been reclassified to conform with the current year’s presentation. These reclassifications had no effect on previously recorded net income or stockholders’ equity.

Assets and liabilities of foreign subsidiaries, other than those whose functional currency is the U.S. dollar, are translated at current exchange rates with the related translation adjustments reported in stockholders’ equity as a component of accumulated other comprehensive income (loss). Income statement accounts are translated at the average exchange rate during the period. Where the U.S. dollar is considered the functional currency, monetary assets and liabilities are translated at current exchange rates with the related adjustment included in net income. Non-monetary assets and liabilities are translated at historical exchange rates. The Company incurs foreign currency transaction gains/losses relating to assets and liabilities that are denominated in a currency other than the functional currency. For 2002, 2001 and 2000 the Company incurred foreign currency transaction (gains) losses of (\$1 million), \$8 million and (\$1 million), respectively.

Cash and cash equivalents — Cash equivalents consist of all instruments purchased with an original maturity of three months or less, and which have virtually no risk of loss in value.

Inventories — Inventories are stated at the lower of cost or net realizable value. Costs are determined using the first-in, first-out (FIFO) method.

Investments — Investments in the common stock of affiliated companies over which the Company does not exercise significant influence are accounted for under the cost method and are carried at cost or less. Investments that enable the Company to exercise significant influence, but do not represent a controlling interest, are accounted for under the equity method; such investments are carried at cost or less, adjusted to reflect the Company’s proportionate share of income or loss, less dividends received. The Company would recognize a loss on these investments when there is a loss in value of an investment which is other than a temporary decline.

Property, plant and equipment and depreciation — Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is generally computed on the straight-line method over the estimated useful lives of depreciable assets, which range from 10 to 50 years for buildings and 3 to 20 years for all other assets. Where permitted by law, accelerated depreciation methods are used for tax purposes. The Company reviews the recoverability of the net book value of property, plant and equipment for impairment whenever events and circumstances indicate that the net book value of an asset may not be recoverable from estimated future cash flows expected to result from its use and eventual disposition. If this review indicates that the carrying values will not be recovered, the carrying values would be reduced and an impairment loss would be recognized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Goodwill and other intangible assets — Goodwill (\$277 million at December 31, 2002) represents the excess of cost over fair value of net assets acquired. The Company also has a \$3 million intangible asset related to the recognition of a minimum pension liability at December 31, 2002. The carrying amount of goodwill and other intangible assets by geographic segment as of December 31, 2002 was as follows:

| | (in millions) |
|---------------------|---------------|
| North America | \$122 |
| South America | 21 |
| Asia/Africa | <u>137</u> |
| Total | <u>\$280</u> |

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, “Goodwill and Other Intangible Assets” (“SFAS 142”), which supersedes APB Opinion No. 17, “Intangible Assets”. SFAS 142 addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in financial statements upon their acquisition. SFAS 142 also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. SFAS 142 stipulates that goodwill should no longer be amortized and should instead be subject to an annual (or more frequent if impairment indicators arise) impairment assessment. Upon adoption of SFAS 142, the Company completed the transitional impairment test required by the statement. The Company has established December 31 as the date of its annual test for impairment of goodwill. Based upon the transitional and annual impairment tests completed during 2002, the Company concluded that the balance of goodwill is fully recoverable and no impairment loss was required to be recognized.

The adoption of SFAS 142’s provisions relating to goodwill amortization resulted in the Company discontinuing the amortization of goodwill beginning January 1, 2002. Prior to the adoption of SFAS 142, goodwill was amortized using the straight-line method over its estimated useful or legal life, not to exceed 40 years. On a pretax basis, the Company recorded goodwill amortization of \$12 million in each of 2001 and 2000. On an after-tax basis, goodwill amortization was \$8 million in both 2001 and 2000. The following table provides a comparison of the effects of adopting SFAS 142 for the years ended December 31, 2002, 2001 and 2000:

| | <u>2002</u> | <u>2001</u> | <u>2000</u> |
|---|---------------------------------|---------------|---------------|
| | (in millions, except per share) | | |
| Net income | \$ 63 | \$ 57 | \$ 48 |
| Add back: goodwill amortization (net of income taxes) | <u>—</u> | <u>8</u> | <u>8</u> |
| Adjusted net income | <u>\$ 63</u> | <u>\$ 65</u> | <u>\$ 56</u> |
| Diluted earnings per common share: | | | |
| As reported earnings per share | \$1.77 | \$1.60 | \$1.35 |
| Add back: goodwill amortization (net of income taxes) | <u>—</u> | <u>0.21</u> | <u>0.23</u> |
| Adjusted earnings per share | <u>\$1.77</u> | <u>\$1.81</u> | <u>\$1.58</u> |

Revenue recognition — The Company recognizes operating revenues at the time title to the goods and all risks of ownership transfer to customers. This generally occurs upon the date of shipment, except in the case of consigned inventories where title passes and the transfer of ownership risk occurs when the goods are used by the customer.

Hedging instruments — Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, “Accounting for Derivative Instruments and Hedging Activities” (“SFAS 133”), as amended by SFAS No. 138, “Accounting for Certain Derivative Instruments and Certain

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Hedging Activities, an Amendment of SFAS 133” (“SFAS 138”). SFAS 133 and 138 establish standards for recognition and measurement of derivatives and hedging activities and require that all derivative instruments be recorded on the balance sheet at their respective fair values. Upon adoption, the Company recorded a cumulative effect type credit of \$14 million (net of income taxes of \$8 million) to other comprehensive income (loss), to recognize at fair value all derivatives that were designated as hedges of variable cash flows of certain forecasted transactions. Gains and losses on derivatives that were previously deferred as adjustments to the carrying amount of hedged items were not adjusted.

The Company uses derivative financial instruments principally to offset exposure to market risks arising from changes in commodity prices and interest rates. Derivative financial instruments currently used by the Company consist of commodity futures contracts and interest rate swap agreements. The Company enters into futures contracts, which are designated as hedges of specific volumes of commodities (corn and natural gas) that will be purchased and processed in a future month. These readily marketable exchange-traded futures contracts are recognized in the Consolidated Balance Sheets at fair value. The Company has also entered into interest rate swap agreements to take advantage of the current interest rate environment by effectively converting the interest rate on certain fixed rate debt to a variable rate. The fair value of these interest rate swap agreements is recognized in the Consolidated Balance Sheet as an offset to the increase to the fair value of the hedged debt obligation.

On the date a derivative contract is entered into, the Company designates the derivative as either a hedge of variable cash flows to be paid related to certain forecasted purchases of corn or natural gas used in the manufacturing process (“a cash-flow hedge”) or as a hedge of the fair value of certain fixed rate debt obligations (“a fair-value hedge”). This process includes linking all derivatives that are designated as fair-value or cash-flow hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. For all hedging relationships, the Company formally documents the hedging relationships and its risk-management objective and strategy for undertaking the hedge transactions, the hedging instrument, the item, the nature of the risk being hedged, how the hedging instrument’s effectiveness in offsetting the hedged risk will be assessed, and a description of the method of measuring ineffectiveness. This includes linking all derivatives that are designated as cash-flow or fair-value hedges to specific forecasted transactions or to specific assets and liabilities on the Consolidated Balance Sheet. The Company also formally assesses, both at the hedge’s inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows or fair values of hedged items. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, the Company discontinues hedge accounting prospectively.

Changes in the fair value of a futures contract that is highly effective and that is designated and qualifies as a cash-flow hedge are recorded in other comprehensive income, net of applicable income taxes, and recognized in the Consolidated Statement of Income when the finished goods produced using the hedged item are sold. The maximum term over which the Company hedges exposures to the variability of cash flows for commodity price risk is 12 months. Changes in the fair value of an interest rate swap agreement that is highly effective and that is designated and qualifies as a fair-value hedge, along with the loss or gain on the hedged debt obligation that is attributable to the hedged risk, are recorded in earnings. The ineffective portion of the change in fair value of a derivative instrument that qualifies as either a cash-flow hedge or a fair-value hedge is reported in earnings.

The Company discontinues hedge accounting prospectively when it is determined that the derivative is no longer effective in offsetting changes in the cash flows or fair value of the hedged item, the derivative expires or is sold, terminated or exercised, the derivative is de-designated as a hedging instrument because it is unlikely that a forecasted transaction will occur, or management determines that designation of the derivative as a hedging instrument is no longer appropriate. When hedge accounting is discontinued because it is probable that a forecasted transaction will not occur, the Company continues to carry the derivative on the Consolidated Balance Sheet at its fair value, and gains and losses that were accumulated in other comprehensive income are recognized immediately in earnings. When hedge accounting is discontinued

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

because it is determined that the derivative no longer qualifies as an effective fair-value hedge, the Company continues to carry the derivative on the Consolidated Balance Sheet at its fair value and no longer adjusts the hedged asset or liability for changes in fair value. The adjustment of the carrying amount of the hedged asset or liability is accounted for in the same manner as other components of the carrying amount of that asset or liability. In all other situations in which hedge accounting is discontinued, the Company continues to carry the derivative at its fair value on the Consolidated Balance Sheet and recognizes any changes in its fair value in earnings.

Stock-based compensation — The Company has a stock incentive plan that provides for stock-based employee compensation, including the granting of stock options and shares of restricted stock, to certain key employees. The plan is more fully described in Note 13. The Company accounts for the stock incentive plan in accordance with the recognition and measurement principles of APB Opinion No. 25, “Accounting for Stock Issued to Employees”, and related Interpretations. Under this method, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. Under the Company’s stock incentive plan, stock options are granted at exercise prices that equal the market value of the underlying common stock on the date of grant. Therefore, no compensation expense related to stock options is recorded in the Consolidated Statements of Income.

Statement of Financial Accounting Standards No. 123, “Accounting for Stock-Based Compensation” (“SFAS 123”), established accounting and disclosure requirements using a fair-value based method of accounting for stock-based employee compensation plans. As allowed by SFAS 123, the Company has elected to continue to apply the intrinsic-value-based method of accounting described above, and has adopted only the disclosure requirements of SFAS 123. The following table illustrates the effect on net income and earnings per share if the fair-value-based recognition provisions of SFAS 123 had been applied to all outstanding and unvested awards in each period:

| | <u>Year Ended December 31,</u> | | |
|---|---------------------------------|--------------|--------------|
| | <u>2002</u> | <u>2001</u> | <u>2000</u> |
| | (in millions, except per share) | | |
| Net income, as reported | \$ 63 | \$ 57 | \$ 48 |
| Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects | <u>(1)</u> | <u>(3)</u> | <u>(4)</u> |
| Pro forma net income | <u>\$ 62</u> | <u>\$ 54</u> | <u>\$ 44</u> |
| Earnings per share: | | | |
| Basic — as reported | \$1.78 | \$1.60 | \$1.35 |
| Basic — pro forma | \$1.74 | \$1.52 | \$1.25 |
| Diluted — as reported | \$1.77 | \$1.60 | \$1.35 |
| Diluted — pro forma | \$1.73 | \$1.52 | \$1.25 |

Earnings per common share — Basic earnings per common share is computed by dividing net income by the weighted average number of shares outstanding, which totaled 35.6 million for 2002 and 35.3 million for 2001 and 2000. Diluted earnings per share (EPS) is computed by dividing net income by the weighted average number of shares outstanding, including the dilutive effect of stock options outstanding. The weighted average number of shares outstanding for diluted EPS calculations were 35.7 million, 35.5 million and 35.3 million for 2002, 2001 and 2000, respectively. In 2002, 2001 and 2000, options to purchase 975,166, 1,001,666 and 1,829,366 shares of common stock, respectively, were excluded from the calculation of the weighted average number of shares outstanding for diluted EPS because their effects were anti-dilutive.

Risks and uncertainties — The Company operates domestically and internationally in one business segment. In each country, the business and assets are subject to varying degrees of risk and uncertainty. The

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Company insures its business and assets in each country against insurable risks in a manner that it deems appropriate. Because of this geographic dispersion, the Company believes that a loss from non-insurable events in any one country would not have a material adverse effect on the Company's operations as a whole. Additionally, the Company believes there is no significant concentration of risk with any single customer or supplier, or small group of customers or suppliers, whose failure or non-performance would materially affect the Company's results.

Recently issued accounting standards — In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 143, "Accounting For Asset Retirement Obligations" ("SFAS 143"), which addresses accounting and reporting for asset retirement obligations. SFAS 143 will require the Company to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that results from the acquisition, construction, development, and/or normal use of the assets. The Company will also record a corresponding asset that will be depreciated over the life of the related asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation will be adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The Company is required to adopt SFAS 143 on January 1, 2003. The adoption of SFAS 143 is not expected to have a material effect on the Company's consolidated financial statements.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146"), which addresses financial accounting and reporting for costs associated with exit or disposal activities. SFAS 146 replaces EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)". SFAS 146 is required to be applied prospectively to exit or disposal activities initiated after December 31, 2002. The adoption of SFAS 146 is not expected to have a material effect of the Company's consolidated financial statements.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"), which addresses financial accounting and reporting for obligations under certain guarantees. FIN 45 requires, among other things, that a guarantor recognize a liability for the fair value of an obligation undertaken in issuing a guarantee, under certain circumstances. The recognition and measurement provisions of FIN 45 are required to be applied prospectively to guarantees issued or modified after December 31, 2002. The adoption of FIN 45 is not expected to have a significant effect on the Company's consolidated financial statements.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure, an amendment of FASB Statement No. 123" ("SFAS 148"). This Statement amends SFAS 123 to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements. Certain of the disclosure modifications are required for fiscal years ending after December 15, 2002 and are included in the notes to these consolidated financial statements.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51" ("FIN 46"), which addresses the consolidation of variable interest entities as defined in the Interpretation. FIN 46 applies immediately to variable interests in variable interest entities created after January 31, 2003, and to variable interests in variable interest entities obtained after January 31, 2003. The application of FIN 46 is not expected to have a material effect on the Company's consolidated financial statements.

Note 3 — Mexican Tax on Beverages Sweetened with HFCS

On January 1, 2002, a discriminatory tax on soft drinks sweetened with high fructose corn syrup ("HFCS") approved by the Mexican Congress late in 2001, became effective. This tax was temporarily

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

suspended on March 5, 2002. In response to the enactment of the tax, which at the time effectively ended the use of HFCS for soft drinks in Mexico, the Company ceased production of HFCS 55 at its San Juan del Rio plant, one of its four plants in Mexico. Effective with the March 5, 2002 suspension of the tax, the Company resumed the production and sale of HFCS in Mexico, although at levels below historical volumes. On July 12, 2002, the Mexican Supreme Court annulled the temporary suspension of the tax, thereby resuming the tax, and the Company curtailed the production of HFCS 55 at its San Juan del Rio plant. On December 10, 2002, the Mexican Congress declined to repeal the controversial tax on soft drinks sweetened with HFCS.

The Company is disappointed with the Mexican Congress' decision to retain the imposition of the tax on soft drinks sweetened with HFCS. However, the Company continues to explore all options for resolving the situation and minimizing any potential long-term negative financial impact that might occur. The Company has engaged in discussions regarding the matter with both U.S. and Mexican government trade officials, and has received informal assurances from both sides that repeal of the tax is a condition precedent to resolving certain trade issues between the countries. These same officials have also implied that a resolution of these matters is expected in the near term. However, the Company cannot predict with any certainty whether these trade matters will ultimately be resolved, or the likelihood or timing of repeal of the tax on soft drinks sweetened with HFCS. In the meantime, the Company is attempting to mitigate the negative effects of the tax on HFCS demand in Mexico by exploring other markets for its HFCS production capability in and around Mexico. The Company is also continuing the restructuring of its Mexican operations in an effort to improve efficiency and reduce operating costs. The Company also initiated formal action to seek compensation for damage to its Mexican operations under the provisions of the North American Free Trade Agreement (NAFTA).

On January 28, 2003, the Company notified the Government of Mexico of its intention to submit to arbitration a claim for compensation under the investment provisions of the NAFTA. The Company believes that the Government of Mexico has violated certain of its obligations with respect to foreign investors under the NAFTA, including those regarding non-discriminatory treatment and expropriations. The claim, which approximates \$250 million, seeks compensation for the Company's costs for past and potential lost profits and other costs related to its operations in Mexico, as well as the Company's costs in pursuing resolution of this matter. The filing of the notice of intent is the first step in pursuing the resolution of an investment dispute. The NAFTA requires the Company to serve written notice of its intention to make a claim at least three months prior to submitting the claim to arbitration. Pursuant to the process, the Company and the Government of Mexico must continue to attempt to resolve the situation through consultation or negotiation during this period.

Until there is a favorable resolution of the Mexican tax on soft drinks sweetened with HFCS, the Company expects that it will be unable to make any significant sales of HFCS to the soft drink industry in Mexico. Management continues to seek a permanent repeal of the tax and currently believes that the matter will ultimately be resolved through negotiations between the governments of the United States and Mexico. Until that occurs, however, the Company's operating results and cash flows will continue to be adversely affected by the Mexican tax on soft drinks sweetened with HFCS.

The Company's ability to fully recover the carrying value of its long-term investment in Mexico, which consists primarily of goodwill and property, plant and equipment associated with its Mexican operations, is dependent upon the generation of sufficient cash flows from the use or other disposition of these assets. The Company's ability to generate these cash flows will be significantly affected by a variety of factors, including the timing and permanence of any repeal of the tax on soft drinks sweetened with HFCS, the timing and extent of any recovery in the demand for HFCS by the Mexican soft drink industry, the extent to which alternative markets for HFCS develop in and around Mexico, the success of the Company's restructuring activities in Mexico, and the amount of proceeds received from the resolution of the Company's NAFTA claim against the Government of Mexico, if any, as well as by management's ability to develop and implement a successful long-term business strategy in Mexico. Based on long-term forecasts of operating results, management believes that the Company will generate sufficient cash flows from the use or other disposition of

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

these long-term assets to fully recover their carrying values, and accordingly, no impairment of either goodwill or other long-term assets related to Mexico was recognized as of December 31, 2002. In developing its estimate of the cash flows that will be generated from the Company's Mexican operations, management has assumed that the tax on soft drinks sweetened with HFCS will be permanently repealed in the near future and that sales of HFCS to the Mexican soft drink industry will return to the levels realized prior to the imposition of the tax by the end of 2003. Under these assumptions about future HFCS sales in Mexico, the estimated fair value of the Company's Mexican business exceeds its carrying amount by approximately \$90 million. In the event actual results differ from those assumed, the Company could be required to recognize an impairment of goodwill and property, plant and equipment, and the amount of such impairment could be material.

Note 4 — Acquisitions/Disposition

On February 5, 2002, the Company sold its interest in Enzyme Bio-Systems Ltd. of Beloit, Wisconsin ("EBS") for approximately \$35 million in cash. The Company recorded a pretax gain from the sale of approximately \$8 million, which is included in other income in the 2002 Consolidated Statement of Income.

In October 1998, the Company entered into certain agreements to purchase its then 49 percent owned non-consolidated affiliate, Arancia S.A. de C.V. ("Arancia"), in a series of three transactions that would be completed over the next several years. In accordance with the agreements, on December 2, 1998 the Company completed the first in the series of transactions by acquiring a controlling interest in Arancia and began to consolidate this business in its financial statements. On January 18, 2000, the Company completed the second in the series of transactions by increasing its ownership in Arancia to 90 percent for consideration of \$41 million, consisting of cash and common stock. On March 4, 2002, the Company increased its ownership in Arancia from 90 percent to 100 percent by paying \$39 million in cash and issuing 70,000 shares of common stock valued at \$2 million.

During 2000, the Company completed a multi-step transaction that resulted in the acquisition of a controlling interest in Industrias de Maiz S.A. ("IMASA") of Argentina. As a result of the transaction, the Company has control of approximately 73 percent of its Southern Cone of South America businesses, which include IMASA, Productos de Maiz of Argentina, and its businesses in Chile and Uruguay. The Company paid \$83 million in cash to acquire net assets with a fair value of \$14 million, consisting of \$124 million of assets and \$110 million of liabilities. Goodwill of \$69 million was recorded in connection with the transaction. The minority interest shareholders have the right to either: (i) require the Company to sell an amount of shares of the Southern Cone businesses back to the minority interest shareholders until the minority interest shareholders own 49.5 percent of the Southern Cone businesses; or (ii) require the Company to purchase the approximately 27 percent ownership interest in the Southern Cone businesses currently held by the minority interest shareholders. It is anticipated that the Company will purchase the shares from the minority interest shareholders in March 2003 at a cost of approximately \$52 million.

On January 5, 2001, the Company increased its ownership interest in Doosan Corn Products Korea, Inc. ("DCPK"), its consolidated Korean subsidiary, from 50 percent to 75 percent for \$65 million in cash. The Company recorded \$10 million of goodwill related to this purchase. The Company accounts for its Korean operations as a consolidated subsidiary as it has a controlling interest in DCPK. Beginning in 2005, the Company will have the option to acquire, and the minority interest shareholder will have the right to require the Company to acquire, the 25 percent ownership interest in DCPK currently held by the minority interest shareholder.

On March 2, 2001, the Company acquired a controlling 60 percent interest in a small starch and sweetener company in Thailand. In 2002, the Company increased its ownership interest in this business to approximately 83 percent.

All of the Company's acquisitions were accounted for under the purchase method. Had the acquisitions/disposition described above occurred at the beginning of the respective years, the effect on the Company's consolidated financial statements would not have been significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 5 — Joint Marketing Company

On December 1, 2000, the Company and Minnesota Corn Processors, LLC (“MCP”) consummated an operating agreement to form CornProductsMCP Sweeteners LLC (“CPMCP”), a joint marketing company that, effective January 1, 2001, began distributing throughout the United States sweeteners supplied from the Company and MCP. On July 11, 2002, MCP announced that it had signed a merger agreement with Archer-Daniels-Midland Company (“ADM”), whereby MCP would merge with a subsidiary of ADM. The consummation of the merger was subject to a number of conditions, including approval from the unit holders of MCP and various regulatory agencies. On September 5, 2002, the unit holders of MCP approved the proposed sale. Shortly thereafter, the United States Justice Department’s Antitrust Division filed a lawsuit in U.S. District Court, formally blocking the proposed transaction, and simultaneously also filed a consent decree approving the sale if CPMCP was dissolved by December 31, 2002.

On September 6, 2002, the Company was notified of MCP’s desire to dissolve CPMCP effective December 31, 2002. On December 27, 2002 the Company and MCP agreed in principle to a plan of dissolution that would allow for the orderly wind up of CPMCP’s activities. Under the terms of the plan of dissolution, MCP agreed to pay the Company an \$11 million termination fee as required under the terms of the CPMCP Limited Liability Company Agreement between the Company and MCP dated December 1, 2000. This payment was received by the Company on December 31, 2002. In addition, the Company recorded an \$8 million charge for its share of costs incurred relating to the dissolution. These expenses consist primarily of direct incremental costs incurred by CPMCP as a result of the dissolution, including expenses related to the termination of employees, early termination of leases, losses on the disposition of assets and other wind-down costs. The net non-recurring income of \$3 million (\$2 million after-tax, or \$0.06 per diluted share) is included in other income in the 2002 Consolidated Statement of Income.

Prior to the dissolution, CPMCP was owned equally by the Company and MCP through membership interests that provided each company with a 50 percent voting interest in CPMCP. Additionally, CPMCP’s Board of Directors was composed of an equal number of representatives from both members. The Company accounted for its interest in CPMCP as a non-consolidated affiliate using the equity method of accounting.

Both the Company and MCP owned and operated their respective production facilities and sold all U.S. production of certain designated sweeteners to CPMCP for exclusive distribution in the United States. Additionally, any designated sweetener production from the Company’s operations in Canada and Mexico that was sold in the U.S. was distributed through CPMCP. Sales to CPMCP were made at predetermined market-related prices.

Sales to CPMCP were recognized at the time title to the goods and all risks of ownership transferred to CPMCP. The Company eliminated 100 percent of the profit associated with sales to CPMCP until the risk of ownership and title to the product passed from CPMCP to its customers.

The Company recorded its share of CPMCP’s net earnings as earnings from a non-consolidated affiliate. The amount recorded represented the Company’s allocated share of the net earnings of CPMCP, based upon the percentage of designated product volumes supplied to CPMCP by the Company as compared to the total designated product volumes supplied to CPMCP by the Company and the venture partner, MCP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes the Company's transactions with CPMCP for the periods indicated:

| | <u>2002</u> | <u>2001</u> |
|---|----------------------|-------------|
| | <u>(in millions)</u> | |
| Sales to CPMCP | \$417 | \$416 |
| Purchases from CPMCP | 30 | 23 |
| Commission expense to CPMCP | 1 | 2 |
| Fees and charges from CPMCP | 14 | 14 |
| Receivables due from CPMCP at December 31 | 30 | 36 |
| Payables due to CPMCP at December 31 | 2 | 3 |

The Company believes the receivables due from CPMCP are fully recoverable.

Summarized financial information for CPMCP is shown below:

| | <u>At December 31,</u> | |
|------------------------------------|------------------------|--------------|
| | <u>2002</u> | <u>2001</u> |
| | <u>(in millions)</u> | |
| Current assets | \$68 | \$100 |
| Non-current assets | — | 3 |
| Total assets | <u>\$68</u> | <u>\$103</u> |
| Current liabilities | \$53 | \$ 74 |
| Total equity | <u>15</u> | <u>29</u> |
| Total liabilities and equity | <u>\$68</u> | <u>\$103</u> |

| | <u>Year Ended</u> | |
|--------------------|----------------------|--------------|
| | <u>December 31,</u> | |
| | <u>2002</u> | <u>2001</u> |
| | <u>(in millions)</u> | |
| Net sales | \$849 | \$782 |
| Gross profit | 22 | 38 |
| Net income | <u>\$ 12</u> | <u>\$ 27</u> |

Note 6 — Special Charges

One of the Company's continuing business strategies is to improve North American profitability. In order to remain competitive while improving margins, the Company implemented a restructuring plan in 2002 that included the termination of approximately 200 employees throughout the three North American countries in which it operates and the cancellation of certain lease obligations. In connection with this restructuring plan, the Company recorded charges of \$4.3 million during the first quarter of 2002. Of this amount, approximately \$3.5 million represented employee severance costs and related benefits and the balance represented provisions relating to the lease obligations. The charge of \$4.3 million was classified in general and administrative expenses. As of December 31, 2002, all of the employee terminations under the restructuring plan were completed and the restructuring accrual was fully utilized.

In 2000, the Company recorded a \$20 million charge pertaining to a workforce reduction program and the write-off of nonproductive assets. The charges consisted of \$17.5 million for severance, pension and other post-employment benefit costs associated with the workforce reduction and \$2.5 million related to the write-off of certain capital projects. The workforce reduction program affected approximately 266 employees, 109 of whom were located in the United States. The workforce reduction principally affected employees in U.S. sales and business development, as well as employees in North America and South America manufacturing

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

operations, and included the integration of the Southern Cone sales and administrative functions following the IMASA acquisition. As of December 31, 2000, all 266 of the employees affected by the workforce reduction program had terminated employment with the Company and the Company had utilized the entire \$20 million accrual.

Note 7 — Financial Instruments, Derivatives and Hedging Activities

Fair value of financial instruments:

The carrying values of cash equivalents, accounts receivable, accounts payable and short-term borrowings approximate fair values. The fair value of the Company's long-term debt is estimated by discounting the future cash flows of each instrument at rates currently available to the Company for similar debt instruments of comparable maturities. Based on market quotes of the yields at which the Company could issue debt with similar terms and remaining maturities, the fair value of long-term debt, including the current portion of long-term debt, at December 31, 2002 and 2001, was \$552 million and \$594 million, respectively.

Derivatives:

The Company uses derivative financial instruments primarily to manage the exposure to price risk related to corn and natural gas purchases used in the manufacturing process and to manage its exposure to changes in interest rates on outstanding debt instruments. The Company generally does not enter into derivative instruments for any purpose other than hedging the cash flows associated with specific volumes of commodities that will be purchased and processed in a future month, and hedging the exposure related to changes in the fair value of outstanding fixed-rate debt instruments. The Company occasionally hedges commercial transactions and certain liabilities that are denominated in a currency other than the currency of the operating unit entering into the underlying transaction. The Company does not speculate using derivative instruments.

The derivative financial instruments that the Company uses in its management of commodity-price risk consist of open futures contracts and options traded through regulated commodity exchanges. The derivative financial instruments that the Company uses in its management of interest rate risk consist of interest rate swap agreements. By using derivative financial instruments to hedge exposures to changes in commodity prices and interest rates, the Company exposes itself to credit risk and market risk. Credit risk is the risk that the counterparty will fail to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Company, which creates credit risk for the Company. When the fair value of a derivative contract is negative, the Company owes the counterparty and, therefore, it does not possess credit risk. The Company minimizes the credit risk in derivative instruments by entering into transactions only with investment grade counterparties. Market risk is the adverse effect on the value of a financial instrument that results from a change in commodity prices or interest rates. The market risk associated with commodity-price and interest rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

The Company maintains a commodity-price risk management strategy that uses derivative instruments to minimize significant, unanticipated earnings fluctuations caused by commodity-price volatility. For example, the manufacturing of the Company's products requires a significant volume of corn and natural gas. Price fluctuations in corn and natural gas cause market values of corn inventory to differ from its cost and the actual purchase price of corn and natural gas to differ from anticipated prices.

The Company periodically enters into futures and option contracts for a portion of its anticipated corn and natural gas usage over the next twelve months, in order to hedge the price risk associated with fluctuations in market prices. The contracts limit the unfavorable effect that price increases will have on corn and natural gas purchases. All of the Company's futures and option contracts have been designated as cash flow hedges.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Unrealized gains and losses associated with marking the corn and natural gas futures and option contracts to market are recorded as a component of other comprehensive income (loss) and included in the stockholders' equity section of the Consolidated Balance Sheets as part of accumulated other comprehensive income (loss). These amounts are subsequently reclassified into earnings in the month in which the related corn or natural gas is used or in the month a hedge is determined to be ineffective.

The Company assesses the effectiveness of a hedge with a corn or natural gas futures or option contract based on changes in the contract's intrinsic value. The changes in the market value of such contracts has historically been, and is expected to continue to be, highly effective at offsetting changes in the price of the hedged item. The amounts representing the ineffectiveness of these cash flow hedges are not significant.

The Company assesses its exposure to variability in interest rates by continually identifying and monitoring changes in interest rates that may adversely impact future cash flows and the fair value of existing debt instruments, and by evaluating hedging opportunities. The Company maintains risk management control systems to monitor interest rate risk attributable to both the Company's outstanding and forecasted debt obligations as well as the Company's offsetting hedge positions. The risk management control systems involve the use of analytical techniques, including sensitivity analysis, to estimate the expected impact of changes in interest rates on the fair value of the Company's outstanding and forecasted debt instruments.

The Company uses a combination of fixed and variable rate debt to finance its operations. The debt obligations with fixed cash flows expose the Company to variability in the fair value of outstanding debt instruments due to changes in interest rates. The Company has entered into interest rate swap agreements that effectively convert the interest rate on certain fixed-rate debt to a variable rate. These swaps call for the Company to receive interest at a fixed rate and to pay interest at a variable rate, thereby creating the equivalent of variable-rate debt.

The Company has designated the interest rate swap agreements as hedges of the changes in fair value of the fixed-rate debt obligation attributable to changes in interest rates. Changes in the fair value of interest rate swaps designated as hedging instruments that effectively offset the variability in the fair value of outstanding fixed-rate, long-term debt obligations are reported in earnings. These amounts offset the gain or loss (that is, the change in fair value) of the hedged fixed-rate debt instrument that is attributable to changes in interest rates (that is, the hedged risk) which is reflected as an adjustment to the carrying amount of the fixed-rate debt obligation and also recognized currently in earnings. The net gain or loss recognized in earnings during 2002 representing the amount of the hedges' ineffectiveness and the component of the derivative instruments' gain or loss excluded from the assessment of hedge effectiveness was not significant.

At December 31, 2002, the Company's accumulated other comprehensive income (loss) account included \$10 million of unrealized losses, net of a \$4 million tax benefit, related to derivative instruments that hedge the anticipated cash flows from future transactions, which are expected to be recognized in earnings within the next twelve months. Transactions and events expected to occur over the next twelve months that will necessitate reclassifying these derivatives losses to earnings include the sale of finished goods inventory that includes previously hedged purchases of raw corn. There were no cash flow hedges discontinued during the year.

Note 8 — Financing Arrangements

The Company had total debt outstanding of \$600 million and \$756 million at December 31, 2002 and 2001, respectively. Short-term borrowings at December 31, 2002 consist primarily of amounts outstanding under various unsecured local country operating lines of credit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Short-term borrowings consist of the following at December 31:

| | <u>2002</u> | <u>2001</u> |
|---|----------------------|--------------|
| | <u>(in millions)</u> | |
| Borrowings in various currencies (at rates of 2.5% — 26.5%) | \$72 | \$154 |
| Current portion of long-term debt | <u>12</u> | <u>290</u> |
| Total short-term borrowings | <u>\$84</u> | <u>\$444</u> |

On October 15, 2002, the Company entered into a new three-year \$125 million revolving credit agreement (the “Revolving Credit Agreement”). The Revolving Credit Agreement replaced the Company’s previously existing \$340 million revolving credit agreement, which has been terminated. In 1999, the Company filed a shelf registration with the Securities and Exchange Commission for borrowings of up to \$600 million and issued \$200 million of 8.45 percent senior notes thereunder. In 2002, the Company issued a total of \$255 million of five-year 8.25 percent senior notes under the shelf registration. The Company can issue an additional \$145 million of debt under the shelf registration.

Long-term debt consists of the following at December 31:

| | <u>2002</u> | <u>2001</u> |
|--|----------------------|--------------|
| | <u>(in millions)</u> | |
| U.S. revolving credit facility borrowings, due 2005 (interest at 2.33% in 2001) ... | \$ — | \$277 |
| 8.45% senior notes, due 2009 | 198 | 200 |
| 8.25% senior notes, due 2007 | 253 | — |
| Korean term loans, due 2003 — 2004, (at rates of 5.5% — 9.1%) | 51 | 62 |
| Canadian term loans, due 2005 (at rates of 4.3% — 4.4%) | 25 | 57 |
| Others, due in varying amounts through 2008, fixed and floating interest rates ranging from 5.9% — 7.4% | <u>1</u> | <u>6</u> |
| Total | <u>\$528</u> | <u>\$602</u> |
| Less current maturities | <u>12</u> | <u>290</u> |
| Long-term debt | <u>\$516</u> | <u>\$312</u> |

Maturities of long-term debt are \$12 million in 2003, \$46 million in 2004, \$19 million in 2005, nil in 2006, \$255 million in 2007 and \$200 million thereafter.

On March 14, 2002, the Company entered into interest rate swap agreements to take advantage of the current interest rate environment by effectively converting the interest rate associated with the Company’s 8.45 percent \$200 million senior notes due 2009 to a variable rate. These agreements involve the exchange of fixed rate payments (at 8.45 percent) for variable rate payments on \$200 million of notional principal without the exchange of the underlying face amount. Under the terms of the agreements, the Company receives fixed rate payments and makes variable rate payments based on the six-month U.S. dollar LIBOR rate plus a spread. The fair value of these interest rate swap agreements at December 31, 2002 (\$27 million) is reflected in the Consolidated Balance Sheet as an offset to the increase in the fair value of the hedged debt obligation. Interest rate differentials to be paid or received under these agreements are recognized as adjustments to interest expense using the accrual method. The Company does not hold or issue interest rate swap agreements for trading purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 9 — Leases

The Company leases rail cars and certain machinery and equipment under various operating leases. Rental expense under operating leases was \$21.9 million, \$21.1 million and \$20.4 million in 2002, 2001 and 2000, respectively. Minimum lease payments due on leases existing at December 31, 2002 are shown below:

| <u>Year</u> | <u>Minimum Lease Payment</u> <u>(in millions)</u> |
|-------------------------|--|
| 2003 | \$16.5 |
| 2004 | 11.7 |
| 2005 | 9.7 |
| 2006 | 8.2 |
| 2007 | 7.9 |
| Balance thereafter..... | 19.4 |

Note 10 — Income Taxes

The components of income before income taxes and the provision for income taxes are shown below:

| | <u>2002</u> | <u>2001</u> | <u>2000</u> |
|------------------------------------|----------------------|--------------|--------------|
| | <u>(in millions)</u> | | |
| Income (loss) before income taxes: | | | |
| United States | \$ 22 | \$ (9) | \$(10) |
| Outside the United States..... | <u>95</u> | <u>111</u> | <u>112</u> |
| Total | <u>\$117</u> | <u>\$102</u> | <u>\$102</u> |
| Provision for income taxes: | | | |
| Current tax expense | | | |
| U.S. federal..... | \$ 10 | \$ 2 | \$ 1 |
| State and local | 4 | 2 | 1 |
| Foreign | <u>34</u> | <u>30</u> | <u>19</u> |
| Total current..... | <u>\$ 48</u> | <u>\$ 34</u> | <u>\$ 21</u> |
| Deferred tax expense (benefit) | | | |
| U.S. federal..... | \$ (8) | \$ (6) | \$ (4) |
| State and local | (1) | (1) | (1) |
| Foreign | <u>3</u> | <u>9</u> | <u>20</u> |
| Total deferred..... | <u>\$ (6)</u> | <u>\$ 2</u> | <u>\$ 15</u> |
| Total provision | <u>\$ 42</u> | <u>\$ 36</u> | <u>\$ 36</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Deferred income taxes are provided for the tax effects of temporary differences between the financial reporting basis and tax basis of assets and liabilities. Significant temporary differences at December 31, 2002 and 2001, are attributable to:

| | <u>2002</u> | <u>2001</u> |
|--|---------------|--------------|
| | (in millions) | |
| Deferred tax liabilities attributable to: | | |
| Plants and properties | \$163 | \$186 |
| Other | <u>—</u> | <u>13</u> |
| Total gross deferred tax liabilities | <u>163</u> | <u>199</u> |
| Deferred tax assets attributable to: | | |
| Employee benefit reserves | 12 | 14 |
| Pensions | 4 | 3 |
| Hedging/derivative contracts | 6 | 11 |
| Other | <u>19</u> | <u>13</u> |
| Total gross deferred tax assets | <u>41</u> | <u>41</u> |
| Valuation allowance | <u>(8)</u> | <u>(8)</u> |
| Net deferred tax assets | <u>33</u> | <u>33</u> |
| Total net deferred tax liabilities | <u>\$130</u> | <u>\$166</u> |

The Company maintained a valuation allowance of \$8 million at December 31, 2002 and 2001, as it is management's belief that it is more likely than not that certain foreign net operating loss carry forwards and tax credits will not be fully utilized to offset taxable income before they expire.

A reconciliation of the federal statutory tax rate to the Company's effective tax rate follows:

| | <u>2002</u> | <u>2001</u> | <u>2000</u> |
|--|--------------|--------------|--------------|
| Provision for tax at U.S. statutory rate | 35.0% | 35.0% | 35.0% |
| Taxes related to foreign income | 0.3 | (0.1) | (2.2) |
| State and local taxes — net | 1.5 | 0.4 | 1.8 |
| Nondeductible goodwill | — | 1.0 | 1.1 |
| Tax credits | (1.3) | (1.0) | — |
| Other items — net | <u>0.5</u> | <u>(0.3)</u> | <u>(0.7)</u> |
| Provision at effective tax rate | <u>36.0%</u> | <u>35.0%</u> | <u>35.0%</u> |

Provisions are made for estimated U.S. and foreign income taxes, less credits that may be available, on distributions from foreign subsidiaries to the extent dividends are anticipated. No provision has been made for income taxes on approximately \$420 million of undistributed earnings of foreign subsidiaries at December 31, 2002, as such amounts are considered permanently reinvested.

Note 11 — Benefit Plans

The Company and its subsidiaries sponsor noncontributory defined benefit pension plans covering substantially all employees in the United States and Canada, and certain employees in other foreign countries. Plans for most salaried employees provide pay-related benefits based on years of service. Plans for hourly employees generally provide benefits based on flat dollar amounts and years of service. The Company's general funding policy is to make contributions to the plans in amounts that are within the limits of deductibility under current tax regulations. Certain foreign countries allow income tax deductions without regard to contribution

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

levels, and the Company's policy in those countries is to make the contribution required by the terms of the applicable plan. Domestic plan assets consist primarily of common stock, corporate debt securities and short-term investment funds.

Domestic salaried employees are covered by a defined benefit "cash balance" pension plan, which provides benefits based on service and Company credits to the participating employees' accounts of between 3 percent and 10 percent of base salary, bonus and overtime.

The Company also provides healthcare and life insurance benefits for retired employees in the United States and Canada. U.S. salaried employees are provided with access to postretirement medical insurance through Retirement Health Care Spending Accounts. U.S. salaried employees accrue an account during employment, which can be used after employment to purchase postretirement medical insurance from the Company and Medigap or Medicare HMO policies after age 65. The accounts are credited with a flat dollar amount and indexed for inflation annually during employment. The accounts also accrue interest credits using a rate equal to a specified amount above the yield on five-year Treasury notes. Employees can use the amounts accumulated in these accounts, including credited interest, to purchase postretirement medical insurance. Employees become eligible for benefits when they meet minimum age and service requirements. The Company recognizes the cost of these postretirement benefits by accruing a flat dollar amount on an annual basis for each domestic salaried employee. The Company has the right to modify or terminate these benefits. Healthcare benefits for retirees outside the United States and Canada are generally covered through local government plans.

Pension plans — Net pension cost (income) consisted of the following for the years ended December 31, 2002, 2001 and 2000:

| | U.S. Plans | | | Non-U.S. Plans | | |
|--|---------------|-------------|--------------|----------------|-------------|------------|
| | 2002 | 2001 | 2000 | 2002 | 2001 | 2000 |
| | (in millions) | | | | | |
| Service cost | \$ 2 | \$ 2 | \$ 2 | \$ 1 | \$ 2 | \$ 1 |
| Interest cost | 3 | 4 | 4 | 4 | 3 | 3 |
| Expected return on plan assets | (3) | (5) | (6) | (4) | (4) | (4) |
| Credit due to salaried voluntary severance program ... | — | — | (2) | — | — | — |
| Net pension cost | <u>\$ 2</u> | <u>\$ 1</u> | <u>\$(2)</u> | <u>\$ 1</u> | <u>\$ 1</u> | <u>\$—</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The changes in benefit obligations and plan assets during 2002 and 2001, as well as the funded status and the amounts recognized in the Company's consolidated balance sheets related to the Company's pension plans at December 31, 2002 and 2001, were as follows:

| | <u>U.S. Plans</u> | | <u>Non-U.S. Plans</u> | |
|--|-------------------|---------------|---------------------------|-------------|
| | <u>2002</u> | <u>2001</u> | <u>2002</u> | <u>2001</u> |
| | (in millions) | | | |
| Benefit obligation | | | | |
| At January 1 | \$ 53 | \$ 52 | \$55 | \$55 |
| Service cost | 2 | 2 | 1 | 2 |
| Interest cost | 3 | 4 | 4 | 3 |
| Benefits paid | (5) | (1) | (2) | (2) |
| Actuarial (gain) loss | (3) | 4 | 1 | — |
| Settlements | — | (9) | — | — |
| Amendments | — | 1 | — | — |
| Foreign currency translation | <u>—</u> | <u>—</u> | <u>1</u> | <u>(3)</u> |
| Benefit obligation at December 31 | <u>\$ 50</u> | <u>\$ 53</u> | <u>\$60</u> | <u>\$55</u> |
| Fair value of plan assets | | | | |
| At January 1 | \$ 42 | \$ 55 | \$52 | \$56 |
| Actual return on plan assets | (2) | (4) | (1) | 1 |
| Employer contributions | — | 1 | 2 | 1 |
| Benefits paid | (5) | (10) | (2) | (3) |
| Foreign currency translation | <u>—</u> | <u>—</u> | <u>1</u> | <u>(3)</u> |
| Fair value of plan assets at December 31 | <u>\$ 35</u> | <u>\$ 42</u> | <u>\$52</u> | <u>\$52</u> |
| Funded status | \$(15) | \$(11) | \$(8) | \$(3) |
| Unrecognized net actuarial loss (gain) | — | (3) | 13 | 7 |
| Unrecognized prior service cost | <u>3</u> | <u>4</u> | <u>1</u> | <u>1</u> |
| Net prepaid pension asset (liability) | <u>\$(12)</u> | <u>\$(10)</u> | <u>\$ 6</u> | <u>\$ 5</u> |

The above information includes cost and funded status data related to the Company's nonqualified pension plans. For these nonqualified plans, the projected benefit obligation exceeded the fair value of plan assets by \$6 million and \$4 million as of December 31, 2002 and December 31, 2001, respectively. Also, the accumulated benefit obligation exceeded the fair value of these plan assets by \$5 million as of December 31, 2002 and \$4 million as of December 31, 2001. For qualified plans in the U.S., the projected benefit obligation and accumulated benefit obligation exceeded the fair value of plan assets by \$8 million and by \$10 million, respectively, as of December 31, 2002. As of December 31, 2001, the projected benefit obligation and accumulated benefit obligation for these same plans exceeded the fair value of plan assets by \$7 million and \$4 million, respectively. The Company recognized an additional minimum liability of \$4 million at December 31, 2002 related to an under-funded plan. In connection with the recognition of this minimum liability, the Company recorded an intangible asset of \$3 million and a charge to other comprehensive income of \$1.0 million (\$0.6 million, net of deferred income taxes of \$0.4 million). The minimum pension liability will change from year to year as a result of revisions to actuarial assumptions, experience gains or losses and settlement rate changes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following weighted average assumptions were used to determine the Company's obligations under the pension plans:

| | U.S. Plans | | | Non-U.S. Plans | | |
|--------------------------------------|--------------|-------------|-------------|----------------|-------------|-------------|
| | <u>2002</u> | <u>2001</u> | <u>2000</u> | <u>2002</u> | <u>2001</u> | <u>2000</u> |
| Discount rate | 6.75% | 7.5% | 8.0% | 6.5% | 6.5% | 6.5% |
| Rate of compensation increase | 3.75% | 4.5% | 5.0% | 4.5% | 4.5% | 4.5% |
| Expected return on plan assets | <u>8.25%</u> | <u>9.0%</u> | <u>9.5%</u> | <u>8.5%</u> | <u>8.5%</u> | <u>8.5%</u> |

The Company and certain of its subsidiaries also maintain defined contribution plans. The Company makes matching contributions to these plans based on a percentage of employee contributions. Amounts charged to expense for defined contribution plans totaled \$4.3 million, \$5.5 million and \$5.6 million in 2002, 2001 and 2000, respectively.

Postretirement benefit plans — Net postretirement benefit costs consisted of the following for the years ended December 31, 2002, 2001 and 2000:

| | <u>2002</u> | <u>2001</u> | <u>2000</u> |
|--|---------------|-------------|-------------|
| | (in millions) | | |
| Service cost | \$1 | \$1 | \$1 |
| Interest cost | 2 | 2 | 1 |
| Curtailement gain on divestiture of Enzyme Bio-Systems | (1) | — | — |
| Charge related to voluntary separation program | — | — | <u>2</u> |
| Net postretirement benefit costs | <u>\$2</u> | <u>\$3</u> | <u>\$4</u> |

The Company's postretirement benefit plans currently are not funded. The changes in the benefit obligations of the plans during 2002 and 2001, and the amounts recognized in the Company's consolidated balance sheets at December 31, 2002 and 2001, were as follows:

| | <u>2002</u> | <u>2001</u> |
|---|---------------|-------------|
| | (in millions) | |
| Accumulated postretirement benefit obligation | | |
| At January 1 | \$29 | \$26 |
| Service cost | 1 | 1 |
| Interest cost | 2 | 2 |
| Actuarial (gain) loss | 1 | (1) |
| Benefits paid | (1) | — |
| Amendments | — | 1 |
| Curtailments | <u>(1)</u> | <u>—</u> |
| Benefit obligation at December 31 | \$31 | \$29 |
| Unrecognized net actuarial (loss) gain | (3) | 2 |
| Unrecognized prior service cost | <u>1</u> | <u>(2)</u> |
| Accrued postretirement benefit costs | <u>\$29</u> | <u>\$29</u> |

In measuring the postretirement benefit obligation, the Company assumed an increase in the per capita cost of healthcare benefits of 10 percent for 2002 and 9 percent for 2001, declining to 5 percent by the year 2012 and remaining at that level thereafter. An increase in the assumed healthcare cost trend rate by 1 percentage point would increase the accumulated postretirement benefit obligation at December 31, 2002 by \$3 million, while a decrease in the rate of 1 percentage point would decrease the obligation by \$3 million, with a corresponding effect on the service and interest cost components of the net periodic postretirement benefit

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

cost for the year then ended of \$0.4 million. The accumulated postretirement benefit obligation for U.S. plans was determined using an assumed discount rate of 6.75 percent and 7.5 percent at December 31, 2002 and 2001, respectively. The accumulated postretirement benefit obligation at December 31, 2002 and 2001, for Canadian plans was determined using an assumed discount rate of 6.5 percent.

Note 12 — Supplementary Information

Balance Sheet — Supplementary information is set forth below:

| | At December 31, | |
|--|------------------------|-------------|
| | 2002 | 2001 |
| | (in millions) | |
| Accounts receivable — net: | | |
| Accounts receivable — trade | \$193 | \$234 |
| Accounts receivable — other | 59 | 52 |
| Allowance for doubtful accounts | (8) | (7) |
| Total accounts receivable — net | \$244 | \$279 |
| Inventories: | | |
| Finished and in process | \$ 89 | \$ 91 |
| Raw materials | 76 | 75 |
| Manufacturing supplies | 29 | 35 |
| Total inventories | \$194 | \$201 |
| Accrued liabilities: | | |
| Compensation expenses | \$ 19 | \$ 11 |
| Dividends payable | 4 | 4 |
| Accrued interest | 18 | 8 |
| Accrued income taxes | 15 | 14 |
| Taxes payable other than income taxes | 20 | 14 |
| Other | 23 | 37 |
| Total accrued liabilities | \$ 99 | \$ 88 |
| Non-current liabilities: | | |
| Employees' pension, indemnity, retirement, and other | \$ 67 | \$ 48 |
| Other non-current liabilities | 1 | 2 |
| Total non-current liabilities | \$ 68 | \$ 50 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Income Statement — Supplementary information is set forth below:

| | <u>Year Ended December 31,</u> | | |
|--|------------------------------------|-------------|-------------|
| | <u>2002</u> | <u>2001</u> | <u>2000</u> |
| | (in millions) | | |
| Earnings from non-consolidated affiliates and other income: | | | |
| Earnings from non-consolidated affiliates | \$ 7 | \$14 | \$ 3 |
| Gain from sale of EBS | 8 | — | — |
| Gain from dissolution of CPMCP | 3 | — | — |
| Gain from cancellation of long-term obligation | — | 3 | — |
| Other | <u>2</u> | <u>4</u> | <u>6</u> |
| Total earnings from non-consolidated affiliates and other income | <u>\$20</u> | <u>\$21</u> | <u>\$ 9</u> |
| Financing costs: | | | |
| Interest expense | \$39 | \$59 | \$59 |
| Interest income | (2) | (3) | (4) |
| Foreign currency transaction losses (gains) | <u>(1)</u> | <u>8</u> | <u>(1)</u> |
| Financing costs — net | <u>\$36</u> | <u>\$64</u> | <u>\$54</u> |

Statements of Cash Flow — Supplementary information is set forth below:

| | <u>Year Ended December 31,</u> | | |
|-------------------------|------------------------------------|-------------|-------------|
| | <u>2002</u> | <u>2001</u> | <u>2000</u> |
| | (in millions) | | |
| Interest paid | \$29 | \$62 | \$70 |
| Income taxes paid | 47 | 30 | 34 |

Note 13 — Stockholders' Equity

Preferred stock and stockholders' rights plan:

The Company has authorized 25 million shares of \$0.01 par value preferred stock, of which 1 million shares were designated as Series A Junior Participating Preferred Stock for the stockholders' rights plan. Under this plan, each share of the Company's common stock carries with it the right to purchase one one-hundredth of a share of preferred stock. The rights will at no time have voting power or pay dividends. The rights will become exercisable if a person or group acquires or announces a tender offer that would result in the acquisition of 15 percent or more of the Company's common stock. When exercisable, each full right entitles a holder to buy one one-hundredth of a share of Series A Junior Participating Preferred Stock at a price of \$120. If the Company is involved in a merger or other business combination with a stockholder holding at least 15 percent of the Company's outstanding voting securities, each full right will entitle a holder to buy a number of the acquiring company's shares having a value of twice the exercise price of the right. Alternatively, if a 15 percent stockholder engages in certain self-dealing transactions or acquires the Company in such a manner that Corn Products International, Inc. and its common stock survive, or if any person acquires 15 percent or more of the Company's common stock, except pursuant to an offer for all shares at a fair price, each full right not owned by a stockholder holding at least 15 percent of the Company's outstanding voting securities may be exercised for Corn Products International, Inc. common stock (or, in certain circumstances, other consideration) having a market value of twice the exercise price of the right. The Company may redeem the rights for one cent each at any time before an acquisition of 15 percent or more of its voting securities. Unless redeemed earlier, the rights will expire on December 31, 2007.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Treasury Stock:

During 2002, the Company issued, from treasury, 70,000 restricted common shares and 176,812 common shares upon the exercise of stock options under the stock incentive plan. During 2001, the Company issued, from treasury, 19,930 restricted common shares and 141,310 common shares upon the exercise of stock options under the stock incentive plan. Also, in connection with the Arancia acquisition, the Company issued from treasury 70,000 common shares and 78,794 common shares in 2002 and 2000, respectively.

The Company retired 19,126, 22,905 and 18,335 shares of its common stock to treasury during 2002, 2001 and 2000, respectively, by both repurchasing shares from employees under the stock incentive plan and through the cancellation of forfeited restricted stock. The Company repurchased shares from employees at average purchase prices of \$29.75, \$27.92 and \$23.10, or fair value at the date of purchase, during 2002, 2001 and 2000, respectively. Additionally, in 2000 the Company purchased, on the open market, 1,865,400 shares of its common stock at an average purchase price of \$23.91 per share. All of the acquired shares are held as common stock in treasury, less shares issued to employees under the stock incentive plan.

On January 21, 2000, the Company's Board of Directors authorized an increase in the stock repurchase program from the previously authorized 2 million shares to 6 million shares of common stock over a five-year period. At both December 31, 2002 and 2001, 2,549,650 shares had been repurchased under this program at a total cost of approximately \$64 million.

Set forth below is a reconciliation of common stock share activity for the years ended December 31, 2000, 2001 and 2002.

| | <u>Shares of Common Stock</u> | | |
|--|-------------------------------|--|--------------------|
| | <u>Issued</u> | <u>Held in Treasury</u> <small>(in thousands)</small> | <u>Outstanding</u> |
| Balance at December 31, 1999 | 37,660 | 703 | 36,957 |
| Issuance in connection with acquisition | — | (79) | 79 |
| Issuance of restricted stock as compensation | — | (100) | 100 |
| Stock options exercised | — | (17) | 17 |
| Purchase/acquisition of treasury stock | <u>—</u> | <u>1,884</u> | <u>(1,884)</u> |
| Balance at December 31, 2000 | 37,660 | 2,391 | 35,269 |
| Issuance of restricted stock as compensation | — | (19) | 19 |
| Stock options exercised | — | (141) | 141 |
| Purchase/acquisition of treasury stock | <u>—</u> | <u>23</u> | <u>(23)</u> |
| Balance at December 31, 2001 | 37,660 | 2,254 | 35,406 |
| Issuance in connection with acquisition | — | (70) | 70 |
| Issuance of restricted stock as compensation | — | (70) | 70 |
| Stock options exercised | — | (177) | 177 |
| Purchase/acquisition of treasury stock | <u>—</u> | <u>19</u> | <u>(19)</u> |
| Balance at December 31, 2002 | <u>37,660</u> | <u>1,956</u> | <u>35,704</u> |

Stock Incentive Plan:

The Company has established a stock incentive plan for certain key employees. In addition, following the spin-off from CPC, all existing CPC stock options held by Company employees were converted to stock options to acquire Corn Products International, Inc. common stock. These stock options retained their original vesting schedules and expiration dates. The Company granted additional nonqualified options to purchase 523,400, 546,300 and 805,500 shares of the Company's common stock during 2002, 2001 and 2000, respectively. These options are exercisable upon vesting, which occurs in 50 percent increments at the one and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

two-year anniversary dates of the date of grant. As of December 31, 2002, certain of these nonqualified options have been forfeited due to the termination of employees.

In addition to stock options, the Company awards shares of restricted stock to certain key employees. The cost of these awards is being amortized to expense over the applicable restriction periods.

The Company accounts for stock-based compensation using the intrinsic value method. Pro forma disclosures of net income and earnings per share, assuming the fair value method was used to account for stock options under SFAS 123, are provided in Note 2 of these notes to the consolidated financial statements in the section entitled "Stock-based compensation". For purposes of making the pro forma disclosure, the estimated fair market value of stock option awards is amortized to expense over the applicable vesting period. The fair value of the stock option awards was estimated at the grant dates using the Black-Scholes option pricing model with the following weighted average assumptions for 2002, 2001 and 2000, respectively: risk-free interest rates of 3.82 percent, 5.88 percent and 5.98 percent in 2002, 2001 and 2000; volatility factor of 1.54 percent, 1.42 percent and 8.28 percent in 2002, 2001 and 2000; and a weighted average expected life of the awards of 6.92 years, 7.4 years and 7.84 years in 2002, 2001 and 2000. A dividend yield of 1.32 percent, 1.13 percent and 1.38 percent was assumed for 2002, 2001 and 2000, respectively.

The Black-Scholes model requires the input of highly subjective assumptions and does not necessarily provide a reliable measure of fair value.

A summary of stock option and restricted stock transactions for the last three years follows:

| | <u>Stock Option Shares</u> | <u>Stock Option Price Range</u> | <u>Weighted Average Exercise Price</u> | <u>Shares of Restricted Stock</u> |
|--|--------------------------------|-------------------------------------|--|---|
| | (shares in thousands) | | | |
| Outstanding at January 1, 2000 | 1,878 | \$13.06 to \$32.31 | \$28.72 | 154 |
| Granted | 806 | 22.75 to 27.41 | 25.39 | 93 |
| Exercised/vested | (17) | 20.76 to 22.55 | 21.47 | (46) |
| Cancelled | <u>(114)</u> | 26.87 to 32.31 | 28.89 | <u>(7)</u> |
| Outstanding at December 31, 2000 . . | 2,553 | 13.06 to 32.31 | 27.71 | 194 |
| Granted | 546 | 27.78 to 32.31 | 28.71 | 26 |
| Exercised/vested | (141) | 13.06 to 32.31 | 25.40 | (31) |
| Cancelled | <u>(54)</u> | 22.75 to 32.31 | 27.55 | <u>(19)</u> |
| Outstanding at December 31, 2001 . . | 2,904 | 13.90 to 32.31 | 28.05 | 170 |
| Granted | 523 | 28.65 to 33.13 | 28.80 | 70 |
| Exercised/vested | (177) | 15.00 to 32.31 | 25.30 | (16) |
| Cancelled | <u>(100)</u> | 15.00 to 32.31 | 27.59 | <u>(6)</u> |
| Outstanding at December 31, 2002 . . | <u>3,150</u> | \$13.90 to \$33.13 | \$28.35 | <u>218</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes information about stock options outstanding at December 31, 2002:

| <u>Range of Exercise Prices</u> | <u>Options Outstanding</u> | <u>Weighted Average Exercise Price</u> | <u>Average Remaining Contractual Life (Years)</u> | <u>Options Exercisable</u> | <u>Weighted Average Exercise Price</u> |
|---------------------------------|----------------------------|--|---|----------------------------|--|
| | | (shares in thousands) | | | |
| \$13.90 to 16.5650..... | 60 | \$15.49 | 1.9 | 60 | \$15.49 |
| 16.5651 to 23.1910..... | 381 | 22.15 | 6.1 | 381 | 22.15 |
| 23.1911 to 26.5040..... | 107 | 24.03 | 4.1 | 107 | 24.03 |
| 26.5041 to 29.8170..... | 1,627 | 28.17 | 8.2 | 881 | 27.69 |
| 29.8171 to 33.1300..... | <u>975</u> | <u>32.33</u> | <u>5.1</u> | <u>957</u> | <u>32.31</u> |
| | <u>3,150</u> | <u>\$28.35</u> | <u>6.7</u> | <u>2,386</u> | <u>\$28.19</u> |

The number of options exercisable at December 31, 2002 and 2001 was 2.4 million and 2.02 million, respectively. The weighted average fair value of options granted during 2002, 2001, and 2000 was \$4.17, \$7.72 and \$7.05, respectively.

Note 14 — Segment Information

The Company operates in one business segment, corn refining, and is managed on a geographic regional basis. Its North America operations include corn-refining businesses in the United States, Canada and Mexico and, prior to the December 2002 dissolution of CPMCP, its then non-consolidated equity interest in that entity. This region also included EBS until it was sold in February 2002. The Company's South America operations include corn-refining businesses in Brazil, Argentina, Colombia, Chile, Ecuador and Uruguay. The Company's Asia/Africa operations include corn-refining businesses in Korea, Pakistan, Malaysia, Thailand and Kenya. Certain operating expenses that had previously been reflected in North America operating income

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

are now classified as corporate expenses. Prior years' information has been reclassified to conform to the current year presentation.

| | <u>2002</u> | <u>2001</u> | <u>2000</u> |
|--|----------------|----------------|----------------|
| | (in millions) | | |
| Net sales to unaffiliated customers (a): | | | |
| North America | \$1,219 | \$1,212 | \$1,157 |
| South America | 401 | 440 | 460 |
| Asia/Africa | <u>251</u> | <u>235</u> | <u>248</u> |
| Total | <u>\$1,871</u> | <u>\$1,887</u> | <u>\$1,865</u> |
| Operating income (b): | | | |
| North America | \$ 56 | \$ 65 | \$ 77 |
| South America | 58 | 68 | 61 |
| Asia/Africa | 54 | 45 | 54 |
| Corporate | (23) | (17) | (16) |
| Non-recurring earnings | 8 | 5 | — |
| Special charges | <u>—</u> | <u>—</u> | <u>(20)</u> |
| Total | <u>\$ 153</u> | <u>\$ 166</u> | <u>\$ 156</u> |
| Total assets (c): | | | |
| North America | \$1,316 | \$1,430 | \$1,396 |
| South America | 360 | 489 | 647 |
| Asia/Africa | <u>339</u> | <u>308</u> | <u>296</u> |
| Total | <u>\$2,015</u> | <u>\$2,227</u> | <u>\$2,339</u> |
| Depreciation and amortization: | | | |
| North America | \$ 80 | \$ 87 | \$ 93 |
| South America | 17 | 28 | 29 |
| Asia/Africa | <u>6</u> | <u>12</u> | <u>13</u> |
| Total | <u>\$ 103</u> | <u>\$ 127</u> | <u>\$ 135</u> |
| Capital expenditures: | | | |
| North America | \$ 41 | \$ 52 | \$ 104 |
| South America | 16 | 28 | 28 |
| Asia/Africa | <u>21</u> | <u>14</u> | <u>11</u> |
| Total | <u>\$ 78</u> | <u>\$ 94</u> | <u>\$ 143</u> |

Notes:

- (a) Sales between segments for each of the periods presented are insignificant and therefore are not presented.
- (b) Includes earnings from non-consolidated affiliates accounted for under the equity method as follows: North America — \$6 million and \$13 million in 2002 and 2001, respectively; South America — \$1 million in each of 2002, 2001 and 2000.
- (c) Includes investments in non-consolidated affiliates accounted for under the equity method as follows: North America — \$13 million at December 31, 2001; South America — \$3 million at December 31, 2002, \$4 million at December 31, 2001 and \$3 million at December 31, 2000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table presents net sales to unaffiliated customers by country of origin for the last three years:

| | Net Sales | | |
|---------------------|----------------|----------------|----------------|
| | 2002 | 2001 | 2000 |
| | (in millions) | | |
| United States | \$ 605 | \$ 599 | \$ 629 |
| Mexico | 332 | 390 | 359 |
| Canada | 281 | 224 | 169 |
| Brazil | 195 | 200 | 256 |
| Korea | 162 | 155 | 172 |
| Argentina | 63 | 100 | 95 |
| Others | 233 | 219 | 185 |
| Total | <u>\$1,871</u> | <u>\$1,887</u> | <u>\$1,865</u> |

The following table presents long-lived assets by country at December 31:

| | Long-lived Assets | | |
|---------------------|-------------------|----------------|----------------|
| | 2002 | 2001 | 2000 |
| | (in millions) | | |
| United States | \$ 406 | \$ 434 | \$ 446 |
| Mexico | 433 | 457 | 464 |
| Canada | 147 | 151 | 163 |
| Brazil | 88 | 131 | 145 |
| Korea | 210 | 186 | 188 |
| Argentina | 67 | 135 | 242 |
| Others | 146 | 158 | 134 |
| Total | <u>\$1,497</u> | <u>\$1,652</u> | <u>\$1,782</u> |

SUPPLEMENTAL FINANCIAL INFORMATION

Unaudited Quarterly Financial Data

Summarized quarterly financial data is as follows:

| | <u>1st Qtr</u> | <u>2nd Qtr</u> | <u>3rd Qtr</u> | <u>4th Qtr</u> |
|--|---|----------------|----------------|----------------|
| | (in millions, except per share amounts) | | | |
| 2002 | | | | |
| Net sales before shipping and handling costs | \$ 458 | \$ 515 | \$ 507 | \$ 499 |
| Less: shipping and handling costs | <u>26</u> | <u>29</u> | <u>27</u> | <u>26</u> |
| Net sales | \$ 432 | \$ 486 | \$ 480 | \$ 473 |
| Gross profit | 59 | 72 | 70 | 66 |
| Net income | 11* | 19 | 17 | 16** |
| Basic earnings per common share | \$0.31* | \$0.52 | \$0.48 | \$0.46** |
| Diluted earnings per common share | \$0.31* | \$0.52 | \$0.48 | \$0.46** |

* Includes a \$5 million (\$3 million, net of tax, or \$0.08 per diluted common share) gain primarily related to the sale of EBS, net of restructuring charges.

** Includes a \$3 million (\$2 million, net of tax, or \$0.06 per diluted common share) gain from the dissolution of CPMCP.

| | <u>1st Qtr</u> | <u>2nd Qtr</u> | <u>3rd Qtr</u> | <u>4th Qtr</u> |
|--|---|----------------|----------------|----------------|
| | (in millions, except per share amounts) | | | |
| 2001 | | | | |
| Net sales before shipping and handling costs | \$ 499 | \$ 521 | \$ 506 | \$ 508 |
| Less: shipping and handling costs | <u>44</u> | <u>39</u> | <u>32</u> | <u>32</u> |
| Net sales | \$ 455 | \$ 482 | \$ 474 | \$ 476 |
| Gross profit | 75 | 73 | 84 | 67 |
| Net income | 13 | 15 | 20* | 9** |
| Basic earnings per common share | \$0.36 | \$0.43 | \$0.55* | \$0.26** |
| Diluted earnings per common share | \$0.36 | \$0.43 | \$0.55* | \$0.26** |

* Includes net non-recurring income of \$5 million (\$3.5 million, net of tax, or \$0.10 per diluted common share) relating to a value-added tax refund, net of certain one-time charges.

** Includes a \$7 million (\$4.6 million, net of tax, or \$0.13 per common share) foreign currency transaction loss, related to the January 6, 2002 devaluation of the Argentine peso.

Common Stock Market Prices and Dividends

The Company's common stock is listed and traded on the New York Stock Exchange. The following table sets forth, for the periods indicated, the high, low and closing market prices of the common stock and common stock cash dividends.

| | <u>1st Qtr</u> | <u>2nd Qtr</u> | <u>3rd Qtr</u> | <u>4th Qtr</u> |
|---|----------------|----------------|----------------|----------------|
| 2002 | | | | |
| Market price range of common stock | | | | |
| High | \$34.04 | \$34.42 | \$31.23 | \$30.90 |
| Low | 26.64 | 29.69 | 23.68 | 27.11 |
| Close | 31.87 | 30.90 | 28.65 | 30.13 |
| Dividends declared per common share | \$ 0.10 | \$ 0.10 | \$ 0.10 | \$ 0.10 |
| 2001 | | | | |
| Market price range of common stock | | | | |
| High | \$29.19 | \$32.00 | \$33.64 | \$37.00 |
| Low | 24.85 | 24.50 | 27.65 | 27.30 |
| Close | 25.66 | 32.00 | 28.73 | 35.25 |
| Dividends declared per common share | \$ 0.10 | \$ 0.10 | \$ 0.10 | \$ 0.10 |

The number of shareholders of the Company's stock at December 31, 2002 was approximately 11,600.

Ten-Year Financial Highlights*

| | <u>2002</u> | <u>2001</u> | <u>2000</u> | <u>1999</u> | <u>1998</u> | <u>1997</u> | <u>1996</u> | <u>1995</u> | <u>1994</u> | <u>1993</u> |
|---|---|----------------|----------------|----------------|----------------|-------------|-------------|-------------|-------------|-------------|
| | (in millions, except per share amounts) | | | | | | | | | |
| Summary of operations | | | | | | | | | | |
| Net sales | \$1,871 | \$1,887 | \$1,865 | \$1,735 | \$1,448 | \$1,418 | \$1,524 | \$1,387 | \$1,385 | \$1,243 |
| Net income (loss) as previously reported | 63 | 57 | 48 | 77 | 43 | (75) | 23 | 135 | 100 | 99 |
| Adjustment for effect of a change in accounting for inventories | — | — | — | (3) | — | (1) | 2 | 1 | (2) | 2 |
| Net income (loss) as adjusted | 63 | 57 | 48 | 74 | 43 | (76) | 25 | 136 | 98 | 101 |
| Basic earnings (loss) per common share: | | | | | | | | | | |
| Net income (loss) as previously reported | \$ 1.78 | \$ 1.60 | \$ 1.35 | \$ 2.06 | \$ 1.19 | \$(2.10) | \$ 0.64 | \$ 3.79 | \$ 2.81 | \$ 2.78 |
| Adjustment for effect of a change in accounting for inventories | — | — | — | (0.08) | (0.01) | (0.03) | 0.06 | 0.03 | (0.06) | 0.06 |
| Net income (loss) as adjusted | \$ 1.78 | \$ 1.60 | \$ 1.35 | \$ 1.98 | \$ 1.18 | \$(2.13) | \$ 0.70 | \$ 3.82 | \$ 2.75 | \$ 2.84 |
| Cash dividends declared per common share | <u>\$ 0.40</u> | <u>\$ 0.40</u> | <u>\$ 0.40</u> | <u>\$ 0.36</u> | <u>\$ 0.16</u> | — | — | — | — | — |
| Balance sheet data | | | | | | | | | | |
| Working capital | \$ 138 | \$ (120) | \$ 69 | \$ 104 | \$ 46 | \$ (83) | \$ 151 | \$ 33 | \$ 113 | \$ 44 |
| Property, plant and equipment-net | 1,154 | 1,293 | 1,407 | 1,349 | 1,298 | 1,057 | 1,057 | 920 | 830 | 792 |
| Total assets | 2,015 | 2,227 | 2,339 | 2,217 | 1,956 | 1,676 | 1,676 | 1,315 | 1,214 | 1,121 |
| Total debt | 600 | 756 | 720 | 544 | 404 | 350 | 350 | 363 | 294 | 209 |
| Stockholders' equity | 828 | 857 | 960 | 1,030 | 1,059 | 992 | 1,033 | 606 | 555 | 491 |
| Shares outstanding, year end | <u>35.7</u> | <u>35.4</u> | <u>35.3</u> | <u>36.9</u> | <u>37.6</u> | <u>35.6</u> | — | — | — | — |
| Statistical data | | | | | | | | | | |
| Depreciation and amortization | \$ 103 | \$ 127 | \$ 135 | \$ 122 | \$ 95 | \$ 95 | \$ 88 | \$ 82 | \$ 80 | \$ 78 |
| Capital expenditures | 78 | 94 | 143 | 162 | 91 | 100 | 192 | 188 | 145 | 122 |
| Maintenance and repairs | 72 | 82 | 78 | 84 | 67 | 69 | 61 | 65 | 65 | 57 |
| Total employee costs | <u>187</u> | <u>194</u> | <u>195</u> | <u>192</u> | <u>131</u> | <u>142</u> | <u>170</u> | <u>164</u> | <u>149</u> | <u>177</u> |

* All periods prior to 2000 have been retroactively restated to reflect the change in accounting for inventories effective January 1, 2000.

Note: 1997 and prior per share amounts are pro forma and have been computed by dividing net income (loss) by the shares outstanding, which were 35.6 million at December 31, 1997, the spin-off and distribution date. For the purpose of this calculation, the shares outstanding at December 31, 1997 were assumed to be outstanding for all periods prior.

STOCKHOLDER INFORMATION

REPORTS AND PUBLICATIONS

Copies of the Annual Report, Form 10-K and Form 10-Q may be obtained by written request to Jennifer Woomer Dinehart, Director, Corporate Communications, at the corporate headquarters' address, by calling (708) 563-5399 or by visiting the Company's web site, <http://www.cornproducts.com>.

INSTITUTIONAL INVESTOR INQUIRIES

Securities analysts and investors seeking information about Corn Products International, Inc. may contact Richard M. Vandervoort by writing to the corporate headquarters' address or by calling (708) 551-2595.

REGISTRAR AND TRANSFER AGENT

The Bank of New York
101 Barclay Street - 11E
New York, New York 10286
(866) 517-4574 in the United States or
(610) 312-5303 outside of the United States
E-mail address: shareowner-svcs@bankofny.com
Internet address: <http://stockbny.com>

STOCKHOLDER INQUIRIES

Inquiries regarding dividend payments, loss or non-receipt of a dividend check, stock transfers (including name changes, gifts and inheritances), lost stock certificates, Form 1099 information and address changes should be directed to the Registrar and Transfer Agent as listed above.

INDEPENDENT AUDITORS

KPMG LLP
303 East Wacker Drive
Chicago, Illinois 60601
(312) 665-1000

STOCK EXCHANGE LISTING

The Company is listed on the New York Stock Exchange under the symbol CPO.